



Illinois Police Officers' Pension Investment Fund

ILLINOIS POLICE OFFICERS' PENSION INVESTMENT FUND

INVESTMENT POLICY STATEMENT

Policy Number: PP-2021-08

Adopted December 17, 2021

Last Revised: February 6, 2026

TABLE OF CONTENTS

I.	BACKGROUND AND PURPOSE	1
II.	INVESTMENT OBJECTIVES	1
III.	INVESTMENT PHILOSOPHY	1
IV.	ROLES AND RESPONSIBILITIES	2
	<i>A. FIDUCIARY RESPONSIBILITY</i>	<i>2</i>
	<i>B. THE BOARD OF TRUSTEES</i>	<i>3</i>
	<i>C. CHIEF INVESTMENT OFFICER</i>	<i>3</i>
	<i>D. INVESTMENT CONSULTANTS</i>	<i>4</i>
	<i>E. CUSTODIAN</i>	<i>4</i>
	<i>F. INVESTMENT ADVISORS/MANAGERS</i>	<i>5</i>
V.	INVESTMENT STRUCTURE	6
	<i>A. ASSET CATEGORIES AND CLASSES</i>	<i>6</i>
	<i>B. ASSET ALLOCATION</i>	<i>7</i>
	<i>C. INVESTMENT MANAGER STRUCTURE</i>	<i>7</i>
	<i>D. REBALANCING POLICY</i>	<i>7</i>
	<i>E. TRANSITION MANAGEMENT</i>	<i>8</i>
	<i>F. SECURITIES LENDING</i>	<i>8</i>
	<i>G. PERFORMANCE BENCHMARKS</i>	<i>8</i>
VI.	INVESTMENT MANAGER SELECTION, MONITORING, AND EVALUATION	8
	<i>A. INVESTMENT MANAGER SELECTION</i>	<i>8</i>
	<i>B. MANAGER MONITORING AND EVALUATION</i>	<i>9</i>
VII.	PROXY VOTING POLICY	9
VIII.	POLICIES INCORPORATED BY REFERENCE	10
IX.	POLICY ADOPTION	10
	Appendix A1 – ASSET CLASS DESCRIPTIONS	11
	<i>A. Growth Assets</i>	<i>11</i>
	<i>B. Income Assets</i>	<i>12</i>
	<i>C. Real Return Assets</i>	<i>13</i>

- D. *Risk Mitigation*..... 13
- Appendix A2 – ASSET ALLOCATION**..... 15
- Appendix A3 – PERFORMANCE BENCHMARKS** 16
- Appendix B1 – MWDBE INVESTMENT MANAGER UTILIZATION POLICY** 18
 - A. *Definitions*..... 18
 - B. *Emerging Manager Goals*..... 18
 - C. *MWDBE Manager Goals*..... 18
 - F. *Review Requirement*..... 19
- Appendix B2 – MINORITY BROKER-DEALER POLICY** 20
 - A. *Definitions*..... 20
 - B. *Goal*..... 20
 - C. *Best Execution Required*..... 20
 - D. *Manager Reporting*..... 20
 - E. *Reporting*..... 20
 - F. *Review Requirement*..... 20
- Appendix B3 – FIDUCIARY DIVERSITY POLICY**..... 21
- Appendix B4 – BUSINESSES DIVERSITY POLICY** 21
- Appendix B5 – ECONOMIC OPPORTUNITY**..... 21
- Appendix B6 – SUSTAINABLE INVESTING** 22
- Appendix C1 – STATEMENT OF PRINCIPLE SUPPORTING POLICE AND PENSIONS** 23

I. BACKGROUND AND PURPOSE

The Illinois Police Officers' Pension Investment Fund ("IPOPIF" or "the Fund") was created by Illinois Public Act 101-0610 to consolidate the Article 3 police pension funds to streamline investments and eliminate unnecessary and redundant administrative costs, thereby ensuring assets are available to fund pension benefits for the beneficiaries of the participating pension funds as defined in 40 ILCS 5/ 22B-105.

This "Investment Policy Statement" ("IPS" or "Policy") provides objectives, guidelines, procedures, and performance standards for the investment of the assets of the Fund. The Policy represents the formal document governing the investment of the Fund's assets.

II. INVESTMENT OBJECTIVES

1. To ensure the assets of the Fund are invested with the care, skill, prudence, and diligence that a prudent person acting in a like capacity would undertake.
2. To earn a long-term, net-of-fees, investment return that meets or exceeds the actuarial assumed rate of return, the return of the Broad Benchmark, and the return of the Policy Benchmark consistent with the risk level expected from the asset allocation.
3. To ensure the assets of the Fund are invested in a manner that minimizes and controls the costs incurred in administering and managing the assets.

III. INVESTMENT PHILOSOPHY

This section outlines the core beliefs and long-term acknowledgements that will guide the IPOPIF investment program.

1. A well-defined governance structure with clearly delineated responsibilities is critical in achieving consistent, long-term performance objectives.
2. The strategic asset allocation determines the risk-reward profile of the portfolio and is the primary driver of overall portfolio performance and volatility. Key considerations include, but are not limited to, the following:
 - a. Asset allocation has a greater effect on return variability than asset class investment structure or investment manager selection.
 - b. Understanding expected performance variance and being steadfast in the face of negative returns is critical to long-term success.
 - c. Disciplined portfolio rebalancing is a key aspect of prudent long-term asset allocation policy.
3. Risk is multifaceted and will be evaluated holistically, incorporating quantitative measures and qualitative assessments. Risk considerations include, but are not limited to, the following:
 - a. Key pension plan risk factors include mortality, inflation, and variability of investment returns.
 - b. Portfolio diversification across different asset classes, regions and investment risk factors (e.g., equity, rates, credit) reduces risk and increases risk-adjusted returns

- over the long-term.
- c. Leverage can be an effective tool to enhance diversification and manage risk but should not be used to increase the overall risk of the Fund.
 - d. Uncompensated risk should be minimized.
 - e. Generating positive investment returns requires recognizing and accepting non-diversifiable risk. Not taking enough risk is risky; therefore, IPOPIF will accept a prudent level of risk in pursuit of its enterprise objectives.
4. Liquidity is a risk factor and a source of return.
 - a. The Fund should possess sufficient liquidity to meet expected cash needs under normal and stress scenarios.
 - b. Illiquid investments should be considered if the expected return provides attractive compensation for the loss of liquidity.
 5. The opportunity for active manager risk-adjusted outperformance (alpha) is not uniformly distributed across asset classes or strategies. Active strategies are preferred only when there is strong conviction that they can be expected to add alpha, net of fees. Otherwise, passive strategies are preferred.
 6. Investment costs will be monitored and minimized within the context of maximizing net return. The goal is not low fees, but rather maximum returns, net of fees.
 - a. Performance-based fee structures with a low base rate and a cap on participation may be appropriate and promote alignment of interests.
 - b. The Fund will negotiate aggressively for the lowest fees and will seek most-favored nation clauses where appropriate.

IV. ROLES AND RESPONSIBILITIES

A. FIDUCIARY RESPONSIBILITY

1. A person is a "fiduciary" with respect to the Fund to the extent that the person:
 - a. exercises any discretionary authority or discretionary control respecting management of the Fund, or exercises any authority or control respecting management or disposition of its assets; or
 - b. 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 Fund or has any authority or responsibility to do so; or
 - c. has any discretionary authority or discretionary responsibility in the administration of the Fund.
2. All fiduciaries to the Fund shall conduct their responsibilities with the care, skill, prudence, and diligence under the circumstances then prevailing which a prudent person familiar with these matters and acting in a like capacity would use in the conduct of an activity of like character and purpose. Fiduciaries, their employees, agents, and designees shall discharge their duties with respect to the Fund solely in the interest of the

participants and beneficiaries of the Fund.

B. THE BOARD OF TRUSTEES

The Board of Trustees (the Board), the members of which are fiduciaries to the Fund, has ultimate responsibility for the success and safety of the investment program. The responsibilities of the Board include, but are not limited to, the following:

1. Determining a prudent level of risk to accept in order to achieve investment objectives.
2. Adopting an asset allocation that prudently diversifies investment risk and maximizes expected return consistent with risk tolerance.
3. Reviewing and adopting the investment policy during the first calendar quarter of each year and as otherwise required.
4. Reviewing and approving the strategic plan and objectives.
5. Approving the selection and termination of investment service providers.
6. Monitoring and evaluating the investment performance of the Fund and ensuring the risk profile is consistent with Policy objectives.
7. Monitoring and evaluating investment expenses.
8. Establishing the responsibilities of, and evaluating the performance of, investment staff, advisors, and consultants.

C. CHIEF INVESTMENT OFFICER

The Chief Investment Officer (CIO) is a fiduciary to the Fund and is responsible for the day-to-day operation and oversight of Fund investments under policy guidance from the Board. The CIO will work closely with the Executive Director, Investment Consultants, and investment staff to carry out the duties and responsibilities of this role. Specific responsibilities of the CIO include, but are not limited to, the following:

1. Recommending an asset allocation that prudently diversifies investment risk and maximizes expected return consistent with the investment objectives established by the Board.
2. Recommending an investment policy.
3. Recommending the search, selection, and termination of investment service providers needed to implement the investment program.
4. Monitoring and evaluating the investment performance of the Fund and ensuring the risk profile is consistent with Policy objectives.
5. Monitoring and evaluating investment expenses.
6. Monitoring and evaluating investment service providers.
7. Developing proposals to enhance the investment program.
8. Ensuring the Fund has adequate liquidity to meet cash flow needs and coordinating the

investment of cash contributions and distributions.

9. Monitoring investment allocation and coordinating rebalancing in accordance with the Policy.
10. Reporting to the Board at least quarterly regarding investment activity and performance.
11. Managing the IPOPIF investment staff.

D. INVESTMENT CONSULTANTS

The Board may retain one or more person or entity to make recommendations in developing an investment strategy, assist with finding appropriate investment advisers/managers, and monitoring the Fund's investments ("Investment Consultant"). The General Investment Consultant will be responsible for public market investments, asset allocation, and reporting for the total fund. The Private Markets Investment Consultant will be responsible for private markets investments. The Board may retain an additional Specialty Investment Consultant(s) that specialize in specific asset class(es) and are responsible for those investments. All Investment Consultants are fiduciaries to the Fund and provide information, analysis, and advice to the Board, CIO, and investment staff to assist them in implementing the investment program and monitoring and evaluating Fund investments. The Investment Consultants will work closely with the CIO but are required to provide an independent perspective to the Board. Responsibilities of the Investment Consultants include, but are not limited to, the following.

1. Assisting in the development, implementation, and evaluation of the Investment Policy and asset allocation.
2. Assisting in the development, implementation, and evaluation of an investment manager structure that provides appropriate diversification with respect to the number and types of investment managers retained.
3. Making recommendations regarding the identification of appropriate market benchmarks and peer groups against which each investment option should be evaluated.
4. Assisting in the search process for investment service providers.
5. Producing quarterly performance reports to assist in evaluating investment risk and return across the portfolio. In conjunction with these reports, the Investment Consultants will provide recommendations for action when appropriate or when requested.
6. Monitoring the investment managers and investment products employed by the Fund on an on-going basis and informing the CIO and Board, as appropriate, of any developments that might impact performance of Fund investments.
7. Educating investment staff and the Board, as appropriate, on investment issues that could impact the Fund.

E. CUSTODIAN

The Custodian has three primary responsibilities, namely: (1) safekeeping of assets – custody, pricing, and accounting, and reporting of assets owned by the Fund; (2) trade processing – track and reconcile assets that are acquired and disposed; and (3) asset servicing – maintain all economic benefits of ownership including income collection, corporate actions, and proxy notification issues. Specific responsibilities of the Custodian include, but are not limited to, the following.

PP-2021-08: IPOPIF Investment Policy Statement

1. Safekeeping services for investment securities.
2. Timely settlement of securities transactions.
3. Proper pricing of investment securities.
4. Timely collection of income.
5. Prompt and accurate administration of corporate actions, including but not limited to proxy notifications.
6. Direct, accurate daily communications with investment managers to ensure trades are correct and confirmed.
7. Proactive reconciliation with investment managers.
8. Value allocation for each Article 3 pension fund account.
9. Providing a cash management platform that will support secure and efficient cash transactions for IPOPIF and all Article 3 pension funds.
10. Monthly and annual reporting for IPOPIF and uniform reporting for all Article 3 pension fund accounts, including but not limited to performance, accounting, and cash flows.
11. Immediate communication with the CIO regarding any concerns or issues with respect to services provided by the Custodian.
12. Support for annual and regulatory reporting, including working with IPOPIF auditors.
13. Governance reporting to ensure service level metrics and expectations are being met.

F. INVESTMENT ADVISORS/MANAGERS

In accordance with the Illinois Pension Code, the Board may appoint investment advisors (herein also referred to as “Investment Managers”) to manage (including the power to acquire or dispose of) the assets of the Fund. The specific duties and responsibilities of each Investment Manager include, but are not limited to, the following.

1. Each Investment Manager must acknowledge in writing that it is a fiduciary with respect to the Fund and must be at least one of the following:
 - a. registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.);
 - b. registered as an investment adviser under the Illinois Securities Law of 1953;
 - c. a bank, as defined in the Investment Advisers Act of 1940; or
 - d. an insurance company authorized to transact business in this State.
2. Managing those assets of the Fund that are under the supervision of the Investment Manager in accordance with the Investment Management Agreement or other governing document between IPOPIF and the Investment Manager.
3. Exercising investment discretion regarding buying, managing, and selling Fund assets under the supervision of the Investment Manager, subject to any limitations contained in the Investment Management Agreement or other governing document between IPOPIF

and the Investment Manager.

4. Directing all trading on the portfolio(s) that it manages on a best execution basis. Soft-dollar trades are prohibited, unless expressly authorized under the Investment Management Agreement. (“Soft dollar” refers to a method of paying brokers for non-trading services, such as research, through trading commissions.)
5. Voting proxies on all securities held. All proxies will be voted exclusively in the best interests of the Fund. Investment managers who vote proxies will maintain written policies for proxy voting and keep a proper record of all proxies to which the Fund is entitled. A written report will be provided annually to the CIO and Investment Consultant.
6. Providing written reports to the CIO and Investment Consultant on at least a quarterly basis, including but not limited to:
 - a. Performance, gross and net of all fees, for the most recent quarterly, year-to-date, and relevant longer time periods.
 - b. Investment fees for quarterly, year-to-date, and inception periods.
 - c. Market value of investments.
 - d. Portfolio and market commentary/outlook.
 - e. If applicable, brokerage activity data for quarterly and year-to-date periods.
 - f. Additional information as requested by the Board, Investment Staff, or the Investment Consultant.
7. Informing staff and the Investment Consultant, as soon as practical, in writing of any breach of the Investment Manager’s investment guidelines, its Agreement with the Fund, regulatory standards, and ethics policies.
8. Informing staff and the Investment Consultant as soon as practical, in writing, of any significant changes in the ownership, organizational structure, financial condition, personnel staffing, or other material changes at the firm; and
9. Increasing the utilization of Minority/Women/Disabled/Veteran Owned Broker Dealers. Appendix B2 details minority brokerage goals and responsibilities.
10. The Fund may utilize pooled funds (e.g., mutual funds, commingled funds, collective trusts, limited partnerships) that are generally aligned with this Policy when selected. However, pooled funds are controlled by their specific governing documents and are not customizable; therefore, it may not be feasible to require that such pooled funds adhere strictly to this Investment Policy. Any manager of a pooled fund shall inform IPOPIF if the investment policies, objectives, or guidelines of any such fund undergo material changes.

V. INVESTMENT STRUCTURE

A. ASSET CATEGORIES AND CLASSES

IPOPIF investments shall be prudently diversified to optimize expected risk and return. Assets can generally be categorized into four functional categories of Growth, Income, Real Return, and Risk Mitigation. Each category can include multiple asset classes, representing different types of

investments that can provide diversification within each functional category. Asset category and class descriptions are detailed in Appendix A1.

B. ASSET ALLOCATION

The asset allocation establishes target weights for each asset class and is designed to maximize the long-term expected return of the Fund within an acceptable risk tolerance while providing sufficient liquidity to meet program liabilities. The asset allocation is a key determinant of investment performance. The Asset Allocation is detailed in Appendix A2.

C. INVESTMENT MANAGER STRUCTURE

The investment manager structure establishes the investment manager roles used to implement the asset allocation. The investment manager structure will employ the minimum number of managers necessary to assure appropriate diversification.

The following guidelines will limit active manager concentration unless an exception is specifically authorized by the Board.

1. The maximum allocation to a single active manager is 12% of the Plan.
2. The maximum allocation to a single active management product is 8% of the Plan.
3. No investment with any single investment strategy may exceed 10% of that manager's total assets under management for that strategy.
4. There is no specified limitation for passive managers or products but diversifying alternatives should be considered when adding passive exposure.

D. REBALANCING POLICY

1. Rebalancing is the process of realigning investment weights toward targets to maintain the desired asset allocation.
2. Rebalancing ranges are detailed in Appendix A2, Asset Allocation.
3. The CIO has the responsibility and authority to rebalance the Fund in accordance with this Policy.
4. The CIO and the General Investment Consultant shall review asset allocations at least quarterly or as appropriate during periods of significant market volatility.
5. Cash contributions to and withdrawals from the Fund may be used to move investment weights towards targets.
6. When asset allocations exceed the prescribed limits, or when deemed prudent by the CIO, with the advice of the General Investment Consultant, Fund assets may be rebalanced to the target levels or to some point within the target range. No rebalancing action is automatically required if an asset class weight reaches a rebalancing limit. However, the CIO shall document the rationale for not acting if an allocation falls outside of the rebalancing range.
7. Rebalancing to targets will be considered at least annually by the CIO, with the advice of

the General Investment Consultant.

8. Rebalancing activity shall be reported at the next meeting of the Board.

E. TRANSITION MANAGEMENT

1. Transition management is the process of managing changes to an investment fund's portfolio of assets with the primary objective of reducing unnecessary costs and uncompensated risk.
2. IPOPIF shall maintain a pool of qualified transition management firms, which may be utilized to minimize the costs of asset transfers. Transition manager utilization should be considered for asset transfers but is not required if the CIO, with advice from the General Investment Consultant, believes the transition can be more effectively implemented using approved investment managers.
3. A transition plan shall be developed by the transition manager or investment manager and reviewed with investment staff prior to the transition.
4. A post-trade analysis shall be documented by the transition manager or investment manager and reviewed with investment staff.
5. Transition activity and costs shall be reported at the next meeting of the Board.

F. SECURITIES LENDING

The Board may authorize the use of a securities lending provider, which refers to any third-party firm (Agent) that lends the assets of the Fund to other parties in exchange for collateral and interest income. The specifics pertaining to any securities lending program shall be detailed in a separate Securities Lending Agreement. Investments in commingled vehicles that utilize securities lending are permitted.

G. PERFORMANCE BENCHMARKS

Fund performance will be evaluated against a "Broad Benchmark" of global stocks and bonds and a "Policy Benchmark" reflecting a market index or equivalent for each asset class, weighted in accordance with the current target allocations. Over the long term, the Fund is expected to generate returns, after payment of all fees and expenses, which exceed the Broad Benchmark and the Policy Benchmark. Performance Benchmarks are detailed in Appendix A3.

VI. INVESTMENT MANAGER SELECTION, MONITORING, AND EVALUATION

A. INVESTMENT MANAGER SELECTION

1. Investment Manager selection shall be governed by the Procurement of Investment Services Policy, IPOPIF Policy number PP-2021-07.
2. Appendix B1, MWDBE Investment Manager Utilization Policy, establishes the utilization goals for Emerging Managers and MWDBE Managers in accordance with 40 ILCS 5/1-109.1.
3. Appendix B5, Economic Opportunity, establishes that pursuant to 40 ILCS 5/1A-108.5,

the Fund recognizes that it is the public policy of the State of Illinois to promote the economy of Illinois through the use of economic opportunity investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

B. MANAGER MONITORING AND EVALUATION

Investment Staff and the Investment Consultant will evaluate each Investment Manager from a qualitative and quantitative standpoint on a quarterly basis.

1. Qualitative factors include, but are not limited to, the following.
 - a. Organizational changes such as changes in structure, ownership, management, or departure of key personnel.
 - b. Assets under management at the firm and product level.
 - c. Conflicts of interest.
 - d. Changes in investment strategy, philosophy, process, or style.
 - e. Material litigation or regulatory challenges involving the Investment Manager.
 - f. Material client-servicing problems.
 - g. Minority brokerage utilization.
 - h. Other factors deemed relevant and considered by the Board.
2. Quantitative Review.
 - a. Long-term performance standards should measure an Investment Manager's performance using rolling returns across multiple trailing time periods (e.g., 1-year, 3-year, and 5-year) in relation to the mutually agreed upon performance index and a peer group of investment managers with similar investment styles.
 - b. Managers are expected to maintain their stated investment style and philosophy. Quantitative measures of investment style and philosophy include style mapping, style attribution analysis, and tracking error.
3. Investment Staff and the Investment Consultant will review Investment Manager performance with the Board on a quarterly basis.
4. The Investment Consultant and Investment Staff shall identify Investment Managers of concern, provide an analysis of material issues, and recommend appropriate action to the Board. Based on the analysis and recommendation provided by the Investment Consultant and Investment Staff, the Board will evaluate the Investment Manager and take action, if deemed appropriate by the Board.

VII. PROXY VOTING POLICY

Proxy voting refers to the process of voting as a shareholder on corporate issues without being physically present at the meeting. Shareholders may also vote on corporate issues in person. The Board recognizes that the right to vote on corporate issues is a Fund asset and affirms its fiduciary responsibility to ensure that the Fund's shareholder votes and proxies are voted in the best interests of the Fund. The Board delegates this responsibility to its fiduciary investment managers, who are best positioned to understand the voting issues. Investment managers shall report proxy voting

activity annually to the CIO and the General Investment Consultant. In the absence of an assigned investment manager, the Chief Investment Officer shall vote proxies in the best interest of the Fund and will use their professional judgement regarding when to seek Board guidance.

VIII. POLICIES INCORPORATED BY REFERENCE

The following IPOPIF Policies are incorporated into the Investment Policy Statement by reference:

PP-2021-07 Procurement of Investment Services Policy

AR-2021-02 Transfer of Assets Rule

AR-2022-01 Valuation and Cost Rule

PP-2022-01 Cash Management Policy

IX. POLICY ADOPTION

The Investment Policy was originally adopted by the IPOPIF Board of Trustees on December 17, 2021. The dates of subsequent review and adoption shall be recorded below. In accordance with 40 ILCS 5/1-113.6 and 40 ILCS 5/1-113.17, a copy of this Investment Policy shall be filed with the Illinois Department of Insurance within thirty (30) days from the date of adoption.

October 14, 2022 – reviewed and adopted

February 2, 2023 – reviewed and adopted

April 14, 2023 – updated short-term asset allocation

February 9, 2024 – reviewed and adopted

March 8, 2024 – updated asset allocation

April 12, 2024 - updated asset allocation

March 14, 2025 – reviewed and adopted

February 6, 2026 – reviewed and adopted

Appendix A1 – ASSET CLASS DESCRIPTIONS

A. Growth Assets

1. Role: Capital appreciation, primary driver of long-term total return
2. Investment Approach: Growth assets generally represent equity or equity-like interests in current and future income streams and capture long-term economic growth trends throughout the world.
3. Risk Factors
 - a. The cost of the higher expected long-term returns is higher expected volatility.
 - b. Growth assets are highly sensitive to economic conditions and are subject to potential loss during economic downturns, rising/unexpected inflation, and rising interest rates.
 - c. Foreign currency volatility can be a source of risk and return for non-US exposure.
 - d. Liquidity is a key benefit of public equities as stocks can be traded daily. Illiquidity is a key risk factor for private equity.
4. Representative Asset Classes
 - a. **US Equity** (or Domestic Equity) represents publicly traded stock holdings of companies located in the United States.
 - b. **Non-US Equity** (or International Equity) represents publicly traded stock holdings of companies located outside of the United States. Non-US equity provides diversification through exposure to international economies and currencies. Non-US equity can be segregated by **developed** and **emerging markets** (economies). Emerging markets equity is expected to capture the higher economic growth of emerging economies and provide higher long-term returns than developed market equities coupled with higher volatility.
 - c. **Global Equity** removes regional constraints allowing investment in US and non-US companies in a single strategy.
 - d. Public equities may also be categorized by company capitalization (size) with **smaller companies** historically experiencing higher returns and volatility. Active management has fared better in the small company environment, where information is typically evaluated by fewer analysts.
 - e. **Private Equity** refers to investments in private companies (direct investments) or funds that hold investments in private companies or securities that are not typically traded in the public markets. Frequently these investments need “patient” capital to allow time for growth potential to be realized through a combination of capital investment, management initiatives, or market development. Private equity is expected to outperform public-market equivalents by 2% to 4% in the long-run, with higher fees and investment risk. Illiquidity is a key risk due to contractual commitments to fund capital on demand and term structures that allow holding that capital for several years to allow time for value

creation.

B. Income Assets

1. Role: Current income and return of capital.
2. Investment Approach: Income assets are generally fixed claims on assets or income streams of an issuer (e.g., government, corporation, asset-backed securities).
3. Risk Factors:
 - a. Income assets are subject to the failure of the borrower to make timely payments of interest and principal (credit risk) and the price volatility related to credit risk. Bonds with greater credit risk (i.e., bonds with lower credit ratings) may be less liquid than higher quality bonds.
 - b. Income assets are also susceptible to interest rate (duration) risk where higher market interest rates reduce their value. Longer maturities have relatively higher interest rate risk.
4. Representative Asset Classes
 - a. **High Yield Debt** refers to bonds with higher credit risk and lower credit ratings than investment-grade corporate bonds, Treasury bonds, and municipal bonds. Because of the higher risk of default, these bonds pay a higher yield than investment grade bonds.
 - b. **Emerging Markets Debt (EMD)** refers to bonds issued by developing countries or corporations based in developing countries. EMD bonds can be denominated in U.S. Dollars or local currency. The primary risk factor is credit quality, but interest rates and foreign currency fluctuations are also factors.
 - c. **Bank Loans** are debt obligations arranged by banks and other financial institutions that consist of loans made to companies that are then sold through syndication. Also called “floating rate” or “leveraged” loans, bank loans are similar to high yield bonds in that both represent debt issuers with higher credit risk. Compared to high-yield bonds, bank loans typically have higher seniority in the capital structure, which has historically resulted in higher recovery following default.
 - d. **Private Credit** refers to non-bank lending arrangements to private corporations. Borrowers are often small and medium-sized companies without investment-grade credit ratings. Investments are typically structured in a private market vehicle with limited liquidity. Loans are typically secured with floating interest rates with relatively higher coupons to compensate for credit risk and illiquidity. Private Credit is expected to outperform public-market equivalents by 1% to 2% in the long run.

C. Real Return Assets

1. Role: Growth, Diversification, Inflation Protection, and Income
2. Investment Approach: Ownership in physical assets
3. Risk Factors: Similar to income assets, real return assets are susceptible to interest rate risk. Real Return Assets may not provide the desired inflation protection contemporaneously with the negative impact on other asset classes. Loss of principal is also a risk. Real Estate, Natural Resources, and Infrastructure are typically accessed through private investment vehicles with constrained liquidity similar to that discussed for Private Equity.
4. Representative Asset Classes
 - a. **Real Estate** includes investments in office buildings, apartments, hotels, industrial warehouses, retail, and other specialty property types, as well as raw land, and development projects.
 - b. **REITs** or Real Estate Investment Trusts are publicly traded companies that own Real Estate. REITs benefit from the daily liquidity consistent with a publicly traded stock but also suffer from relatively high volatility and higher correlation to publicly traded equity.
 - c. **Infrastructure** refers to investments in physical systems that support world economies. Typical investments include transportation (airports, bridges, rail, ports, toll roads), energy (midstream/storage/processing, power, renewables), communication/digital (data centers, cell towers, fiber, satellite), and utilities (electricity, gas, water, sewage).
 - d. **Natural Resources** broadly refers to anything mined or collected in raw form but may include assets subject to further processing. Typical assets include oil and gas, mining, agriculture, and timber.

D. Risk Mitigation

1. Role: Liquidity to fund benefit payments and other cash flow needs, capital preservation, modest current income, diversification to growth assets.
2. Investment Approach: Cash equivalents or high-quality domestic bonds.
3. Risk Factors: Risks are substantially lower for risk mitigation assets but may include modest exposure to credit or interest rates (duration).
4. Representative Asset Classes
 - a. **Cash Equivalents** are the safest possible investment with no volatility but lower long-term returns.
 - b. **Short Term Investment Grade Bonds** have moderate credit and interest rate risk.
 - c. **Investment Grade Bonds** including bonds and notes issued by the **U.S. Treasury**, U.S. Government Agencies, state and local municipalities, corporations, or other issuers with similar conservative risk profiles. Risk factors

include duration and credit. **Core Fixed Income** refers to a combination of government and corporate bonds and other fixed income instruments reflective of the U.S. fixed income opportunity set. **Core Plus Fixed Income** is similar to core but adds somewhat riskier investments, such as high-yield debt and asset-backed securities to boost yield. However, the overall risk profile of Core Plus remains relatively benign.

- d. **TIPS** refers to United States Treasury Inflation-Protected Securities which provide protection against inflation. The principal of a TIPS increases with inflation and decreases with deflation, as measured by the Consumer Price Index. At maturity TIPS pay the adjusted principal or original principal, whichever is greater.

Appendix A2 – ASSET ALLOCATION

The IPOPIF has adopted interim and long-term asset allocation targets. Interim targets are necessary to accommodate the initial IPOPIF transition and the subsequent buildout of diversified strategies, including private market investments. Interim targets and rebalancing ranges will be updated periodically, with Board approval, as new investments move the allocation toward the long-term targets. Rebalancing and the Policy Benchmark will be based on interim targets. Rebalancing ranges are not included where liquidity constraints prevent rebalancing.

IPOPIF Asset Allocation	Interim				Long-term Target Allocation
	Target Allocation	Rebalancing Range			
Asset Classes		Band	Lower	Upper	
Growth	58.0%	10.0%	53.0%	63.0%	65.0%
US Large	23.0%	4.0%	21.0%	25.0%	23.0%
US Small	5.0%	2.0%	4.0%	6.0%	5.0%
International Developed	19.0%	4.0%	17.0%	21.0%	19.0%
International Developed Small	5.0%	2.0%	4.0%	6.0%	5.0%
Emerging Markets	6.0%	2.0%	5.0%	7.0%	6.0%
Private Equity	0.0%	N/A	N/A	N/A	7.0%
Income	16.0%	4.0%	14.0%	18.0%	14.0%
High Yield Corp. Credit	4.0%	2.0%	3.0%	5.0%	3.0%
Emerging Market Debt	6.0%	2.0%	5.0%	7.0%	3.0%
Bank Loans	3.0%	2.0%	2.0%	4.0%	3.0%
Private Credit	3.0%	N/A	N/A	N/A	5.0%
Real Return	6.0%	N/A	N/A	N/A	8.0%
REITs	4.0%	2.0%	3.0%	5.0%	0.0%
Private Real Estate	2.0%	N/A	N/A	N/A	5.0%
Private Infrastructure	0.0%	N/A	N/A	N/A	3.0%
Risk Mitigation	20.0%	8.0%	16.0%	24.0%	13.0%
Cash	1.0%	2.0%	0.0%	2.0%	1.0%
Short-Term Gov't/Credit	10.0%	4.0%	8.0%	12.0%	3.0%
US Treasury	3.0%	2.0%	2.0%	4.0%	3.0%
US TIPS	3.0%	2.0%	2.0%	4.0%	3.0%
Core Fixed Income	3.0%	2.0%	2.0%	4.0%	3.0%
Total	100.0%				100.0%

Appendix A3 – PERFORMANCE BENCHMARKS

Fund investment performance will be evaluated against a "Broad Benchmark" of global stocks and bonds and a "Policy Benchmark" reflecting a market index or equivalent for each asset class, weighted in accordance with the current target allocation. The purpose of the Broad Benchmark is to evaluate IPOPIF asset allocation decisions. The purpose of the Policy benchmark is to evaluate IPOPIF implementation decisions (e.g., active management). Over the long term the Fund is expected to generate returns, after payment of all fees and expenses, which exceed the Broad Benchmark and the Policy Benchmark. Performance Benchmarks are detailed below.

Policy Benchmark – Interim Allocation

Asset Class	Policy Benchmark	Weight
Cash	91-day T-Bills	1.0%
Short-Term Bonds	Bloomberg US Gov/Credit 1-3 year	10.0%
Core Bonds	Bloomberg US Aggregate	3.0%
US TIPS	Bloomberg US TIPS 0-5 Years	3.0%
US Treasury	Bloomberg US Treasury Index	3.0%
Bank Loans	S&P UBS Leveraged Loan	3.0%
High Yield Debt	Bloomberg US Corporate High Yield	4.0%
Emerging Markets Debt	JPM EMBI Global Diversified	6.0%
Private Credit	Actual Returns ²	3.0% ¹
US Large Cap Equity	Russell 1000	23.0%
US Small Cap Equity	Russell 2000	5.0%
Developed Int'l Equity	MSCI World ex-US Net ³	19.0%
Developed Int'l Small Cap Equity	MSCI World ex-US Small Cap Net ³	5.0%
Emerging Markets Equity	MSCI Emerging Markets ex China Net ³	6.0%
Private Equity	Actual Returns ²	0.0% ¹
REITs	DJ US Select REIT Total Return	4.0%
Private Real Estate	NFI-ODCE equal-weight	2.0%
Private Infrastructure	Actual Returns ²	0.0% ¹
Total		100.0%

¹ Private Markets Investments each have long-term allocation weights and are included in the Policy Benchmark table for reference.

² The Policy Benchmark will use actual private market returns to avoid tracking error with no informational value. Private market investments will be evaluated in accordance with Section VI.B, including appropriate benchmarks.

³ Net: Total Net Return including dividends and net of foreign withholding taxes.

Broad Benchmark

	Index	Weight
Global Equity	MSCI All Country World Index, Investible Market Index, USD (ACWI IMI)	70%
Global Fixed Income	Bloomberg Multiverse Total Return Index, Unhedged, USD	30%

Appendix B1 – MWDBE INVESTMENT MANAGER UTILIZATION POLICY

A. Definitions

1. “Emerging Investment Manager,” as defined in Section 1-109.1(4) of the Illinois Pension Code, 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 MWDBE.
2. MWDBE means a Minority-Owned Business, Women-Owned Business, or Business Owned by Person with a Disability, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act, 30 ILCS 575/2, as amended.
3. “MWDBE Investment Manager” means a qualified Investment Adviser that manages an investment portfolio and is a MWDBE.

B. Emerging Manager Goals

It is the policy of the IPOPIF to utilize Emerging Investment Managers to the greatest extent feasible within the bounds of financial and fiduciary prudence. In accordance with 40 ILCS 5/1-109.1(4), the Board has set forth the following quantifiable goals for percentage of total assets under management to be managed by Emerging Investment Managers:

		Ownership			
		Minority	Women	Disabled	Total
Asset Classes	Equity	9%	9%	2%	20%
	Fixed Income	9%	9%	2%	20%
	Alternatives	9%	9%	2%	20%
	Total	9%	9%	2%	20%

C. MWDBE Manager Goals

It is the policy of the IPOPIF to utilize MWDBE Investment Managers to the greatest extent feasible within the bounds of financial and fiduciary prudence. In accordance with 40 ILCS 5/1-109.1(9), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by MWDBE Investment Managers:

Ownership			
Minority	Women	Disabled	Total
9%	9%	2%	20%

In accordance with 40 ILCS 5/1-109.1(10), it is the aspirational goal for the IPOPIF use MWDBE Investment Managers for not less than 20% of the total assets under management. It is also IPOPIF’s aspirational goal that not less than 20% of Investment Managers be minorities, women, and persons with disabilities, as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act.

D. Certification

Emerging or MWDBE Investment Advisers shall provide documentation establishing their status as an MWDBE. Preference shall be given to the appropriate certification from the State of Illinois

PP-2021-08: IPOPIF Investment Policy Statement

as acceptable documentation. If such a certification is not available, the IPOPIF may consider other evidence, including certification by another state or a city.

E. Reporting

In accordance with 40 ILCS 5/1-109.1(8), the Fund shall submit a report to the Governor and the General Assembly by January 1 of each year that includes this Policy and the following: (1) the names and addresses of the Emerging Investment Managers used; (2) the percentage of the assets under the investment control of Emerging Investment Managers; (3) and the actions the Fund 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.

F. Review Requirement

The Board of Trustees shall review this Policy and associated goals annually.

Appendix B2 – MINORITY BROKER-DEALER POLICY

This Policy addresses the requirement of Section 1-109.1(7) of the Illinois Pension Code.

A. Definitions

1. "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., 30 ILCS 575/2, as amended.
2. "Best Execution" means the best possible result taking into account all relevant considerations such as price, costs, speed, and likelihood of execution and settlement.

B. Goal

It is the goal of the IPOPIF that Investment Managers utilize Minority Broker-Dealers for **20%** of trades.

C. Best Execution Required

Investment Managers are always required to seek Best Execution.

D. Manager Reporting

1. Each Investment Manager shall report minority brokerage on a quarterly basis.
2. Equity manager reports are expected to include the following information:
 - a. Total shares traded and total commission dollars.
 - b. Minority brokerage shares traded and commission dollars.
 - c. Percentage of minority brokerage by shares and dollars.
3. Fixed income manager reports are expected to include the following information:
 - a. Total par value traded and average bid/ask spread.
 - b. Minority par value traded and average bid/ask spread.
 - c. Percentage of minority brokerage by par value traded.
4. All Investment Managers are encouraged to include a discussion of minority brokerage trends, obstacles, and initiatives to increase minority brokerage.

E. Reporting

In accordance with 40 ILCS 5/1-109.1(8), the Fund shall submit a report to the Governor and the General Assembly by January 1 of each year that includes this Policy and the specific actions undertaken to increase the use of Minority Broker-Dealers.

F. Review Requirement

The Board of Trustees shall review this Policy and associated goals annually.

Appendix B3 – FIDUCIARY DIVERSITY POLICY

This Policy addresses the requirement of Section 1-109.1(5) of the Illinois Pension Code.

It is the policy goal of the IPOPIF to increase the racial, ethnic, and gender diversity of its fiduciaries, including its consultants and senior staff. IPOPIF 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.

When procuring investment services, the IPOPIF shall encourage participation of businesses owned by minorities, women, and persons with disabilities to respond to requests for proposals and will also work to encourage majority firms acting as fiduciaries to hire and promote minorities, women, or persons with disabilities in senior staff and ownership positions.

Investment Managers shall be procured in the manner prescribed by the Procurement of Investment Services Policy, PP-2021-07. Policy goals to increase the utilization of investment management firms owned by minorities, women or persons with disabilities are addressed in Appendix B1 of this Investment Policy.

In accordance with 40 ILCS 5/1-109.1(8), the Fund shall submit a report to the Governor and the General Assembly by January 1 of each year that includes this Policy.

The Board of Trustees shall review this Policy and associated goals annually.

Appendix B4 – BUSINESSES DIVERSITY POLICY

This Policy addresses the requirement of Section 1-109.1(6) of the Illinois Pension Code.

It is IPOPIF's policy to utilize businesses owned by minorities, women, and persons with disabilities for all contracts and services, including investment-related contracts and services.

In accordance with 40 ILCS 5/1-109.1(8), the Fund shall submit a report to the Governor and the General Assembly by January 1 of each year that includes this Policy.

The Board of Trustees shall review this Policy annually.

Appendix B5 – ECONOMIC OPPORTUNITY

Pursuant to 40 ILCS 5/1A-108.5, the Fund recognizes that it is the public policy of the State of Illinois to promote the economy of Illinois through the use of economic opportunity investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

The Fund shall submit a report to the Governor and the General Assembly by September 1 of each year that identifies the economic opportunity investments made by the Fund, the primary location of the business or project, the percentage of the Fund's assets in economic opportunity investments, and the actions that the Fund has undertaken to increase the use of economic opportunity investments.

The Board of Trustees shall review this Policy annually.

Appendix B6 – SUSTAINABLE INVESTING

Pursuant to Sections 1-113.6 and 1-113.17 of the Illinois Pension Code, in evaluating investment decisions, the Fund will consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, as provided for under the Illinois Sustainable Investing Act, 30 ILCS 238/1, *et seq.*, which include but are not limited to:

- Corporate governance and leadership factors, such as the independence of boards and auditors, the expertise and competence of corporate boards and executives, systemic risk management practices, executive compensation structures, transparency and reporting, leadership diversity, regulatory and legal compliance, shareholder rights, and ethical conduct.
- Environmental factors that may have an adverse or positive financial impact on investment performance, such as greenhouse gas emissions, air quality, energy management, water and wastewater management, waste and hazardous materials management, and ecological impacts.
- Social capital factors that impact relationships with key outside parties, such as customers, local communities, the public, and the government, which may impact investment performance. Social capital factors include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.
- Human capital factors that recognize that the workforce is an important asset to delivering long-term value, including factors such as labor practices, responsible contractor and responsible bidder policies, employee health and safety, employee engagement, diversity and inclusion, and incentives and compensation.
- Business model and innovation factors that reflect an ability to plan and forecast opportunities and risks, and whether a company can create long-term shareholder value, including factors such as supply chain management, materials sourcing and efficiency, business model resilience, product design and life cycle management, and physical impacts of climate change.

The Board of Trustees shall review this Policy annually.

Appendix C1 – STATEMENT OF PRINCIPLE SUPPORTING POLICE AND PENSIONS

The Board of Trustees affirms as a matter of Fund policy that IPOPIF’s investments should recognize and respect the positive impact that municipal law enforcement officers have in their communities and these officers’ right to a strong defined benefit pension. The Board recognizes that some publicly traded corporations and private owners or managers of investment vehicles may invest in or support organizations that engage in activity that could undermine law enforcement officers’ ability to protect and serve their communities safely, such as defunding the police (“Anti-Police Activity”), or that could diminish public pension sustainability or retirement security (“Anti-Pension Activity”).

The Board intends to objectively determine organizations that engage in Anti-Police Activity or Anti-Pension Activity and, within the bounds of financial and fiduciary prudence, strive to avoid supporting these organizations through transparency, procurement, proxy voting, investment guidelines, and other policies or procedures determined by the Board.