

Chicago Teachers'
Pension Fund

State Senate Questionnaire Responses

*Presented to the Illinois Special Committee
on State & Pension Fund Investments*

2020

Minority and Female Investment Hearing Questionnaire

Senate Special Committee on Pension Investments

I. Diverse Manager Policy Manager Policy

- 1. Please describe the process used to evaluate goals/objectives for the utilization of MWDBEs for investment managers and broker dealers in each asset class. Describe any changes made to the Emerging Manager Policy and MWDBE Brokerage policies. If there were no changes made to your policy in the previous year, please explain why and whether the decision to not change the policy was discussed at a board meeting. Please provide a copy of the policy and if applicable, describe the specific changes to that policy made in the previous year.**

CTPF procures managers via a competitive RFP process. CTPF constantly evaluates each asset class that we are invested in to determine the depth of investable talent in that particular manager universe. The utilization levels of MWDBE/Emerging managers are a function of that evaluation. Different spaces have different depths of MWDBE/Emerging talent. Broadly speaking, on one hand, there is a very deep pool of MWDBE/Emerging active domestic equity managers, active core and core plus fixed income managers and lower middle-market private equity managers. On the other hand, for example, there is an extremely limited pool of MWDBE/Emerging infrastructure and venture capital managers.

CTPF's Trustees implemented a policy for hiring minority and female-owned investment managers. They established a goal to allocate a minimum of 25% of active assets to minority and female-owned investment managers. The policy was an overall goal for minority and female-owned investment manager inclusion.

Subsequently, the Board of Trustees revised and adopted CTPF's Investment Manager Diversity Policy. This policy set forth separate, quantifiable goals for the utilization of minority, female, and persons with a disability-owned investment manager in specific asset classes.

CTPF's current Investment Manager Diversity Policy outlines a minimum overall Fund goal, individual goals by asset class, and goals by MWDBE classification. CTPF does not have a maximum policy goal, but seeks to hire managers that are representative of the Fund's membership.

Routinely, CTPF evaluates the Approved Brokers List and distributes an annual Broker Compliance package to evaluate current MWDBE Approved Brokers and to seek additional MWDBE brokers to add to the list.

CTPF's Investment Manager Diversity Policy and MWDBE Brokerage Utilization Policy speak to the intent and culture of Chicago Teachers' Pension Fund. These are just minimum goals that the Fund has far exceeded. The staff reviews the policies monthly and quarterly. The Board has reviewed the policies over the past year and made slight revisions at the recommendation of staff.

CTPF seeks to hire investment managers that are representative of the Fund's membership and that have the ability to outperform and provide the best risk-adjusted returns.

CTPF does not strive to just meet the minimum targets, but to set an example that having inclusion and diversity as a part of an organization's culture and processes is not only the right thing to do, but is the most prudent thing to do to secure a financially successful organization.



Chicago Teachers' Pension Fund

Investment Manager Diversity Policy

CTPF's current Investment Manager Diversity Policy is as follows:

PURPOSE

The Public School Teachers' Pension and Retirement Fund of Chicago ("CTPF" or the "Fund") is committed to providing opportunities for emerging and other minority, women, and persons with disabilities (MWDBE) owned investment management firms. The CTPF Board of Trustees ("Board" or "Trustees") adopted the Investment Manager Diversity Policy to set goals for increasing the Fund's utilization of MWDBE Investment Management firms. The minimum utilization standards are as follows:

TOTAL ASSETS

20% of the Fund's Total Assets shall be invested with MWDBE investment managers;

ACTIVE ASSETS

25% of the Fund's Active Assets shall be invested with MWDBE investment managers;

ASSET CLASS BREAKDOWN

EQUITY ASSETS | 30% of the Fund's Equity Assets shall be invested with MWDBE investment managers; of this percentage:

- 25% shall be invested with MWDBE investment managers that are Minority-Owned Business Enterprises as defined in the Business Enterprises for Minorities, Females, and Persons with Disabilities Act.
- 5% shall be invested with MWDBE investment managers that are Women-Owned Business Enterprises as defined in the Business Enterprises for Minorities, Females, and Persons with Disabilities Act.
- CTPF shall use its best efforts to invest with MWDBE investment managers that are business enterprises Owned by Persons with Disabilities as defined in the Business Enterprises for Minorities, Women, and Persons with Disabilities Act.

FIXED INCOME | 15% of the Fund's fixed income assets shall be invested with MWDBE investment managers; of this percentage:

- 12% shall be invested with MWDBE investment managers that are Minority-Owned Business Enterprises
- 3% shall be invested with MWDBE investment managers that are Women-Owned Business Enterprises
- CTPF shall use its best efforts to invest with MWDBE investment managers that are business enterprises Owned by Persons with Disabilities

ALTERNATIVE ASSETS | 12% of the Fund's alternative assets shall be invested with MWDBE investment managers; of this percentage:

- 10% shall be invested with MWDBE investment managers that are Minority-Owned Business Enterprises
- 2% shall be invested with MWDBE investment managers that are Women-Owned Business Enterprises
- CTPF shall use its best efforts to invest with MWDBE investment managers that are business enterprises Owned by Persons with Disabilities

These guidelines set forth the minimum requirement and may be subject to change in the event that there is an increase/decrease in the number of MWDBE investment managers that could feasibly maintain a direct mandate from the Fund.



MWDBE Brokerage Utilization Policy

CTPF's current Brokerage Utilization Policy is as follows:

PURPOSE

The Public School Teachers' Pension and Retirement Fund of Chicago ("CTPF" or the "Fund") is committed to providing opportunities for minority, women and persons with disabilities (MWDBE) owned brokerage firms. The Board of Trustees ("Board" or "Trustees") of CTPF adopted a policy which sets forth goals for increasing the utilization of the Fund's approved MWDBE brokerage firms:

Trades must be executed directly with CTPF-approved MWDBE brokers to count toward the Fund's MWDBE Brokerage Utilization goals. Trades achieved by using indirect methods such as step-outs will not count toward reaching the Fund's MWDBE Brokerage Utilization Policy goals.

Subject to best execution, investment managers are expected to meet the following minimum MWDBE commission requirements each calendar year:

Domestic Equity	
▪ Active Domestic Managers and Manager-of-Managers All Cap, Large Cap Equity	50%
▪ Active Domestic Small Cap Equity and Passive Domestic Equity	35%
International Equity	
▪ Active International Managers and Manager-of-Managers All Cap, Large Cap Equity and Passive International Equity	25%
▪ Active International Small Cap Equity	5%
Fixed Income	
▪ Active and Passive Fixed Income Managers (Goal is based on Volume Traded)	25%
Real Estate Investment Trust (REITs)	
▪ Active REIT Managers	10%

Investment managers of pooled investment portfolios are directed to use "best efforts" to execute trades with MWDBE brokers.

If a manager fails to comply with the above guidelines on a calendar year basis, it will be asked to appear before the Board of Trustees to explain why they were unable to achieve the minimum MWDBE commission goals. Failure by an investment manager to meet the Fund's MWDBE brokerage utilization goals will be considered as a factor when evaluating the investment manager's overall performance rating. Possible courses of action may include, but are not limited to, placing the investment manager on the "Watch List" and/or termination of the investment manager.

2. Public Act 96-006 required funds to adopt goals across all asset classes. Please complete Table #2: Asset Managers and Table #3: Brokerage, including the goals for each asset class.

TABLE #2: Asset Managers

The special committee recognizes that not all funds/systems invest in the same asset classes and/or have completed FY 19. Therefore, please change the asset classes and years below as you see fit while maintaining the overall format of the table.

NOTE: Data is as of December 31st of all years.

EMERGING/DIVERSE PLAN GOALS	2015	2018	2017	2018	2019
Equities (Inclusive of Domestic & International)	30.0%	30.0%	30.0%	30.0%	30.0%
Fixed Income	15.0%	15.0%	15.0%	15.0%	15.0%
Private Markets (Inclusive of Real Estate, Private Equity & Infrastructure)	10.0%	10.0%	10.0%	10.0%	12.0%

*If a goal was not set for specific private market asset classes, please input the goal for private markets in general

% OF ASSET MANAGED	2015	2016	2017	2018	2019
African-American	12.7%	12.6%	10.7%	10.4%	11.5%
Latino(a)	6.1%	4.8%	5.2%	5.5%	6.8%
Asian-American	0.6%	0.5%	0.6%	1.3%	1.1%
Female	15.5%	19.8%	24.6%	24.3%	26.1%
Other	0.0%	0.2%	0.2%	0.5%	0.3%
% OF FEES PAID TO MWDBE	2015	2016	2017	2018	2019
African-American	18.7%	18.7%	18.9%	19.8%	18.2%
Latino(a)	6.0%	4.1%	3.9%	5.3%	8.3%
Asian-American	2.1%	2.2%	3.2%	6.6%	4.8%
Female	5.3%	5.7%	8.3%	5.3%	5.4%
Other	0.4%	0.7%	0.6%	0.7%	0.9%
% OF ASSET MANAGED BY ILLINOIS MWDBE FIRMS	2015	2016	2017	2018	2019
African-American	5.2%	4.8%	2.1%	2.8%	3.3%
Latino(a)	0.4%	0.4%	0.5%	1.0%	1.1%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%
Female	0.6%	0.2%	0.0%	0.0%	0.8%
Other	0.0%	0.2%	0.2%	0.3%	0.2%

% OF FEES PAID TO ILLINOIS MWDBE FIRMS	2015	2016	2017	2018	2019
African-American	5.6%	5.2%	5.3%	5.5%	6.0%
Latino(a)	0.9%	0.6%	0.8%	1.6%	1.8%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%
Female	1.5%	0.6%	0.0%	0.9%	0.7%
Other	0.4%	0.7%	0.6%	0.5%	0.7%
% OF ASSETS MANAGED BY MWDBE FIRMS	2015	2016	2017	2018	2019
All Cap Equity	2.4%	2.5%	2.6%	2.7%	3.2%
Large Cap Equity	14.2%	17.1%	18.3%	19.2%	20.9%
Mid Cap Equity	0.0%	0.0%	0.0%	0.0%	0.0%
Small Cap Equity	1.8%	1.9%	1.6%	1.3%	1.1%
Global Equity	0.3%	1.6%	0.3%	0.3%	1.1%
International Equity All Cap	0.3%	1.3%	0.0%	0.0%	0.2%
International Equity Large Cap	6.2%	5.0%	8.4%	7.8%	6.9%
International Small Cap Equity	0.2%	0.2%	0.3%	0.3%	0.9%
Emerging Markets Equity	1.7%	1.8%	2.4%	2.2%	2.2%
Fixed Income	5.4%	5.2%	6.4%	6.9%	7.7%
Emerging Markets Fixed Income	0.1%	0.1%	0.1%	0.1%	0.1%
Real Estate	0.5%	0.5%	0.4%	0.6%	0.8%
Private Equity	0.5%	0.5%	0.4%	0.6%	0.7%
REITS	1.1%	0.0%	0.0%	0.0%	0.0%
Hedge Funds	0.3%	0.2%	0.0%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	0.0%	0.0%

TABLE #3: Brokerage

The special committee recognizes that not all funds/systems invest in the same asset classes and/or have completed FY 19. Therefore, please change the asset classes and years below as you see fit while maintaining the overall format of the table.

NOTE: Data is as of December 31st of all years.

UTILIZATION GOALS	2015	2016	2017	2018	2019
Domestic Equity (MoM, AC,LC)	50.0%	50.0%	50.0%	50.0%	50.0%
Domestic Equity (SC, Passive)	35.0%	35.0%	35.0%	35.0%	35.0%
International Equity (MoM, AC, LC, Passive)	25.0%	25.0%	25.0%	25.0%	25.0%
International Equity (SC)	5.0%	5.0%	5.0%	5.0%	5.0%
Fixed Income	25.0%	25.0%	25.0%	25.0%	25.0%
REITs	10.0%	10.0%	10.0%	10.0%	10.0%
DOMESTIC EQUITY					
% of Commissions Paid to MWDBE	2015	2016	2017	2018	2019
African-American	41.8%	34.7%	34.5%	24.5%	26.7%
Latino(a)	3.1%	4.8%	12.5%	15.8%	14.7%
Asian-American	0.0%	0.0%	0.2%	3.9%	0.6%

DOMESTIC EQUITY					
% of Commissions Paid to MWDBE	2015	2016	2017	2018	2019
Female	23.3%	18.1%	13.7%	13.6%	9.7%
Other	2.2%	2.3%	3.0%	1.8%	2.2%
IL Based	100.0%	97.8%	95.9%	89.9%	94.9%
INTERNATIONAL EQUITY					
% of Commissions Paid to MWDBE	2015	2016	2017	2018	2019
African-American	14.6%	22.5%	16.7%	14.7%	19.3%
Latino(a)	5.3%	0.2%	5.3%	8.6%	4.9%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%
Female	6.1%	9.2%	4.1%	2.4%	4.0%
Other	0.0%	3.2%	8.1%	6.5%	6.7%
IL Based	99.9%	98.2%	100.0%	94.4%	94.3%
FIXED INCOME					
% of Commissions Paid to MWDBE	2015	2016	2017	2018	2019
African-American	33.5%	33.2%	33.6%	31.4%	21.5%
Latino(a)	2.7%	1.5%	5.6%	7.4%	8.1%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%
Female	1.3%	1.1%	0.9%	0.8%	0.7%
Other	1.2%	1.7%	0.7%	1.8%	3.1%
IL Based	98.0%	97.4%	95.1%	97.9%	97.9%
HEDGE FUNDS					
% of Commissions Paid to MWDBE	2015	2016	2017	2018	2019
African-American	0.0%	0.0%	0.0%	0.0%	0.0%
Latino(a)	0.0%	0.0%	0.0%	0.0%	0.0%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%
Female	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
IL Based	0.0%	0.0%	0.0%	0.0%	0.0%
REITS					
% of Commissions Paid to MWDBE	2015	2016	2017	2018	2019
African-American	6.0%	8.7%	0.0%	0.0%	0.0%
Latino(a)	3.1%	4.0%	0.0%	0.0%	0.0%
Asian-American	0.0%	7.0%	0.0%	0.0%	0.0%
Female	0.0%	4.3%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%
IL Based	99.5%	95.8%	0.0%	0.0%	0.0%

- 3. Please list the Emerging/Diverse firms that manage passive investments for your Fund, the amount and the percentage of assets versus your Emerging Manager Program or portfolio. Are you bifurcating your goals based on active vs. passive management?**

As of December 31, 2019, Rhumblin managed a Large Cap Core Equity mandate in the amount of \$1.9 billion (17.9%) and a Large Cap Growth Equity mandate in the amount of \$306 million (2.8%).

CTPF's investment philosophy follows a strategic asset allocation and continues to believe that asset allocation is the most significant factor affecting the long-term total return of the Fund. The Fund's liabilities are long-term and, therefore, the strategic investment horizon will reflect a long-term investment horizon.

CTPF has followed a pattern of investing passively in asset classes and sub-asset classes where active managers have historically had difficulty in adding value above and beyond the index. CTPF utilizes active management in less efficient areas of the market where active managers can exhibit excess returns. CTPF has increased its active management over the last four years.

- 4. How frequently does your Fund review the EEOC data and diversity of all firms that your Plan works with? Is this data presented to the Board on a routine basis for evaluation and consideration prior to a Fund receiving additional allocations? If you are not asking for EEOC data, why not?**

CTPF's Board of Trustees conducts due diligence with investment managers on a 12-18 month frequency during the Investment Committee meetings. Investment managers are required to appear before the Board of Trustees and present on the firms' organization, strategy, performance and diversity. As part of the due diligence, investment managers are required to provide the EEOC Tables for their firms, divisions and the teams assigned to CTPF. In addition, since 2014, the investment manager provides a year-over-year EEOC table that enables CTPF to track improvements and/or lack thereof. Trustees routinely question investment managers regarding inclusion and diversity at their firms.

CTPF's Investment Staff also conducts quarterly due diligence calls with each investment manager and distributes an annual compliance questionnaire in which materials requested include the most recent EEOC data.

Lastly, all Requests for Proposals ("RFP") also require that EEOC data be included as one of the many exhibits. The EEOC tables are posted on the CTPF website with every RFP released and are evaluated when selecting investment managers and/or considering additional allocations.

- 5. Please provide a copy of your EEOC statement. If you don't have one, please explain why you don't have one?**

Equal Employment Opportunity

CTPF provides equal employment opportunities (EEO) to all employees and applicants for employment without regard to race, color, religion, gender, sexual orientation, gender identity, national origin, age, disability, genetic information, marital status, amnesty, or status as a covered veteran in accordance with applicable federal, state, and local laws.

CTPF complies with applicable state and local laws governing nondiscrimination. This policy applies to all terms and conditions of employment, including hiring, placement, promotion, termination, layoff, recall, and transfer, leaves of absence, compensation, and training.

CTPF expressly prohibits any form of unlawful employee harassment or discrimination based on race, color, religion, gender, sexual orientation, gender identity, national origin, age, genetic information, marital status, disability, amnesty, or veteran status. Improper interference with the ability of CTPF employees to perform their expected job duties is forbidden.

CTPF will endeavor to make a reasonable accommodation to the known physical or mental limitations of qualified employees with disabilities unless the accommodation would impose undue hardship on Fund business. If you need assistance to perform your job duties because of a physical or mental condition, please inform Human Resources.

Any employees with questions or concerns about equal employment opportunities in the workplace are encouraged to bring these issues to the attention of Human Resources. CTPF will not allow any form of retaliation against individuals who raise issues of equal employment opportunity. To ensure our workplace is free of artificial barriers, violation of this policy will lead to discipline, up to and including termination.

CTPF is committed to pursuing diversity and recognizes that the need for and benefits of diversity are amongst the cornerstones of a successful workplace. The Fund strives for a diverse mix of qualities, experiences, and working styles. These differences bring a richer set of ideas, perspectives, and approaches to Fund issues.

Diversity refers to the similarities and differences between individuals, accounting for all aspects of one's personality and individual identity. Some of the dimensions of diversity include, but are not limited to:

Age · Disability · Ethnicity/national origin · Family/marital status · Gender · Gender identity or expression · Language · Life and work experiences · Physical characteristics · Race/color · Religion, belief, and spirituality · Sexual orientation · Socioeconomic status · Veteran status

Employee diversity is an integral part of the Fund's business practices. Individual differences are respected and valued. Fair and equitable treatment will apply to all aspects of employment.

To ensure this, CTPF will actively remove barriers to ensure that each person has equal access to the benefits of employment. Proactive accommodation at work will be provided, where necessary and reasonably practical, to support the employee's dignity, worth, and productivity and/or to hire or retain qualified employees belonging to groups protected under the EEOC guidelines.

Diversity Policies

CTPF is firmly committed to diversity and inclusion and ensuring on a broad basis that investment firms owned by minorities, women, and persons with disabilities have access to the many opportunities to conduct business with CTPF. In addition, CTPF continues to encourage diversity and equality among its employees, vendors, and investment professionals.

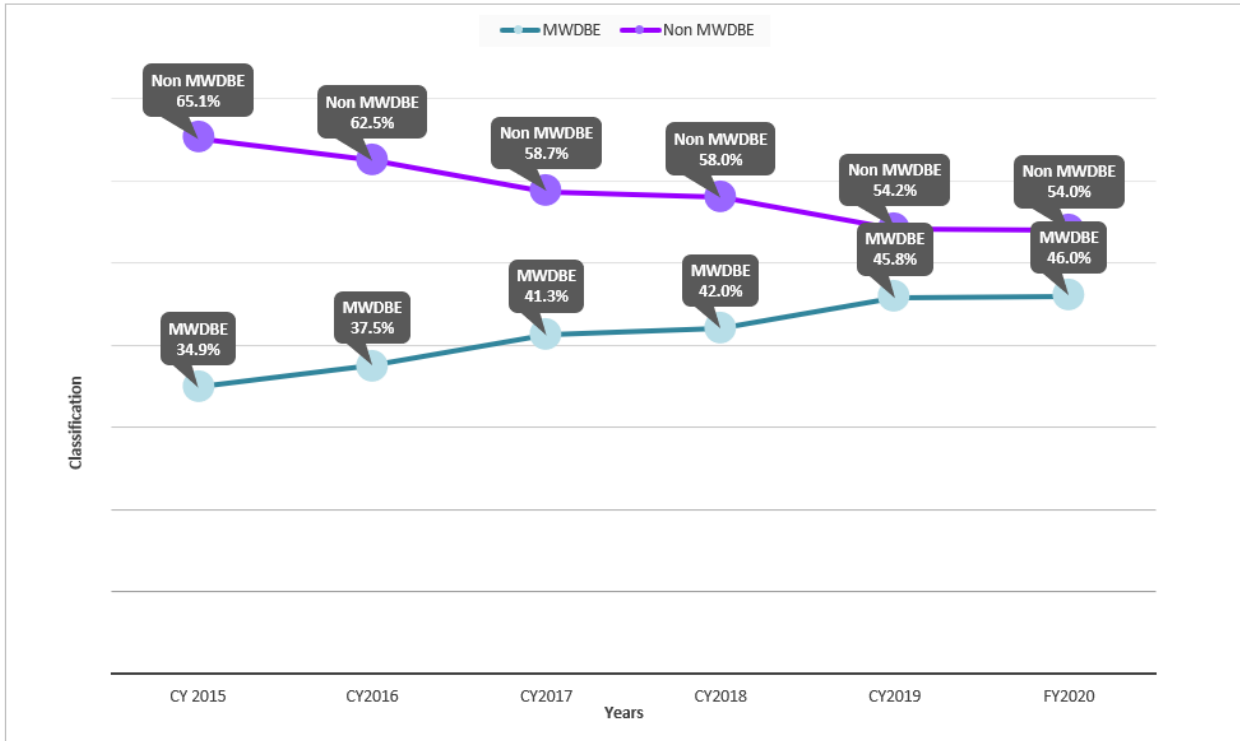
6. Does your Fund evaluate and consider the team and firm diversity of non-MWDBE firms prior to awarding new mandates?

CTPF evaluates and considers the team and firms diversity along with the strength of the organization, team experience and sustainability of the strategy, investment process and philosophy.

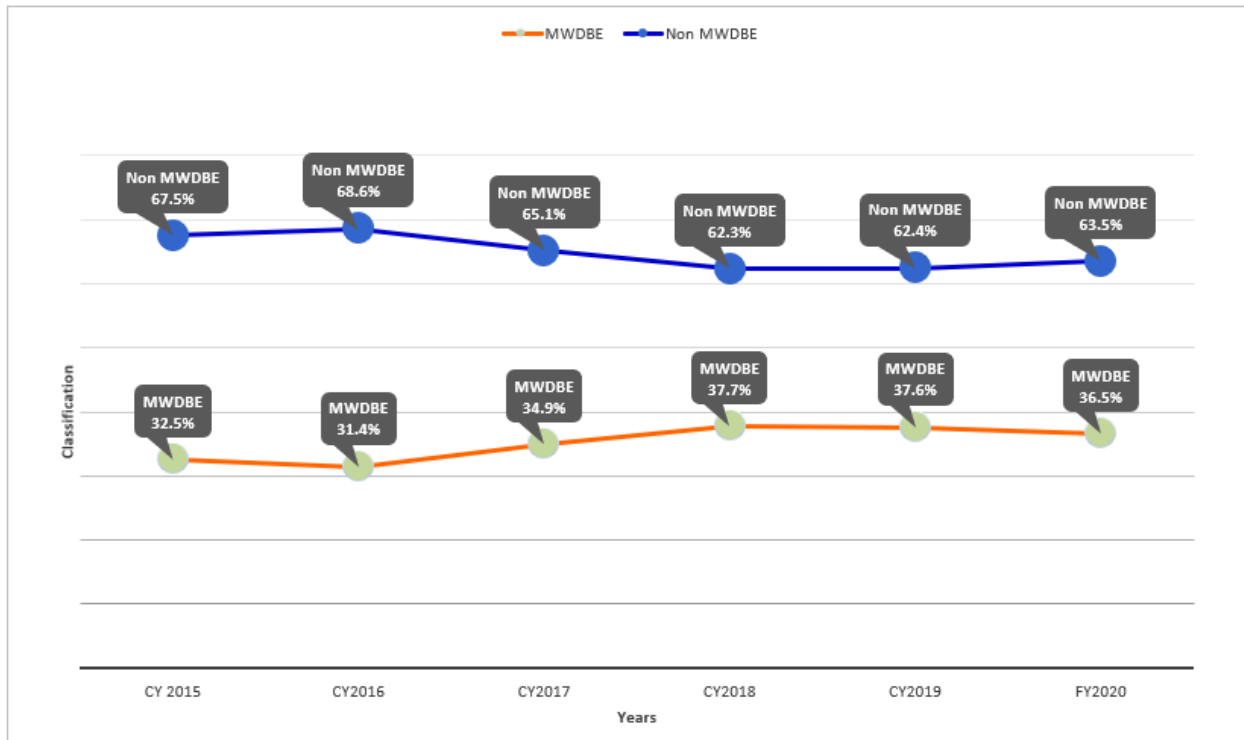
As fiduciaries to the Fund, the Board of Trustees, Investment Staff and Consultants also evaluate performance across various markets, deal sourcing and execution, management fees, etc., to ensure that the investment manager selected is a good fit for CTPF's portfolio and can deliver strong risk-adjusted returns.

7. Please provide a line chart that begins in 2015 and extends to your most recent completed fiscal year that depicts the percentage of assets under management (AUM) by MWDBE firms and the percentage of fees paid to those firms compared to the total AUM and total fees, respectively.

Percentage of AUM MWDBE Vs. Non MWDBE



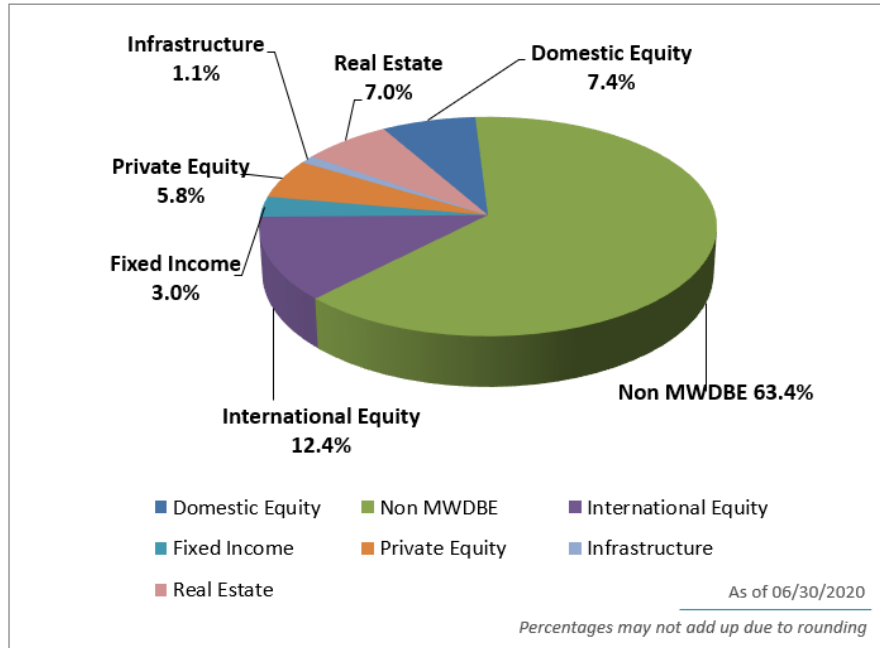
Percentage of Fees MWDBE Vs. Non MWDBE



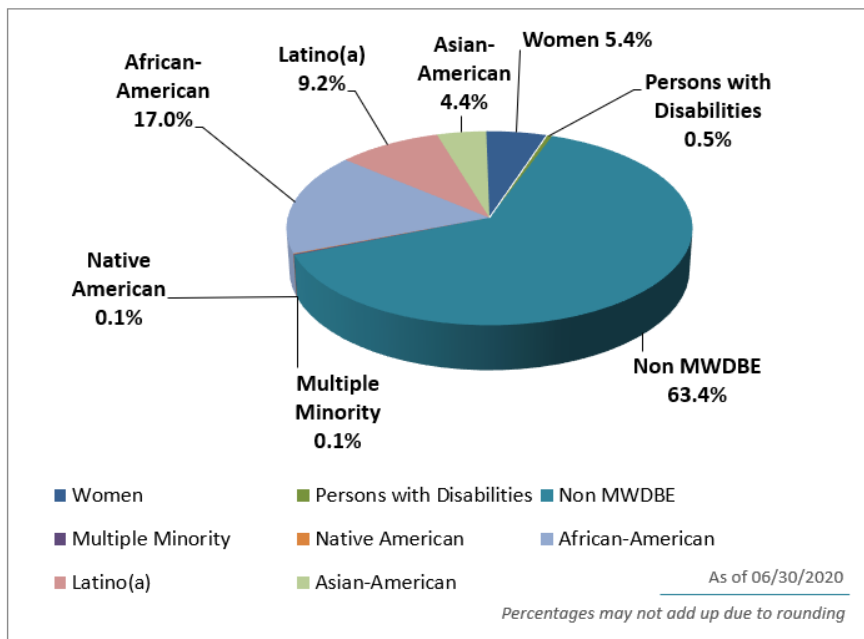
8. Please provide pie charts that depict the percentage of asset management fees paid to MWDBE firms versus non-MWDBE firms broken out by asset class for your last fiscal year. Of the percentage of fees paid to MWDBE firms, what percentage were paid to African Americans, Latinos, Asian, Women and other groups that fall under MWDBE for each asset class? Please show the percentage for each group.

As of June 30, 2020, the Chicago Teachers' Pension Fund (CTPF) paid \$16M in manager fees to MWDBE Firms.

Total MWDBE Vs. Non MWDBE within Asset Classes



Total MWDBE Vs. Non MWDBE Classification



- a. *Of the percentage of fees paid to MWDBE firms, what percentage, if any, was paid to RhumbLine Advisers?*

As of June 30, 2020, Rhumbline was paid 0.4% of total fees for its Large Cap Core Equity mandate and 0.1% of total fees for its Large Cap Growth Equity mandate.

- b. *Do you believe MWDBE firms that manage passive assets should be included/counted towards the total MWDBE numbers.*

Currently, Firms managed by minority, women and persons with disabilities regardless of the strategy are included and counted toward total MWDBE numbers.

However, CTPF evaluates and tracks MWDBE firms by total fund MWDBE assets, by active management and passive management, by asset classes, by category, and by Illinois headquartered firms.

CTPF utilizes the data collected in various ways to assist the Fund in making the best decisions for the portfolio and the Fund from a risk adjusted return and diversity perspective.

CTPF has followed a pattern of investing passively in asset classes and sub-asset classes where active managers have historically had difficulty in adding value above and beyond the index. CTPF utilizes active management in less efficient areas of the market where active managers can exhibit excess returns and has increased the use of active management over the last four years.

Passive investment vehicles consisting of index funds will be utilized to complement actively managed portfolios as an efficient way to provide benchmark return, adjust risk within the overall funds, and provide a liquid and low-cost pool to facilitate timely fund rebalancing, especially in highly efficient markets.

9. Please note the last time you updated your MWDBE utilization goals.

- a. *When was the last time you revised your goals?*

CTPF regularly reviews all policies and evaluates any recommended changes. Specifically, CTPF reviewed the Diversity Policy and MWDBE Brokerage Utilization Policy in November 2019 and made some minor changes to the Diversity Policy.

CTPF policies are just guidelines that establish minimum targets and identify areas of opportunity to extend our reach.

- b. *Do you currently have any plans to revise your goals? If you have no plans to revise them, please explain why you feel there is no need to change your goals.*

CTPF has no plans to further revise its goals. Staff consistently evaluates the Fund's diversity numbers in comparison to the goals and recommended the addition of a goal for women-owned alternative firms in 2019.

CTPF's current goals work to provide the Fund with a framework and guidelines that continue to encourage diversity and inclusion and ensure on a broad basis that investment firms owned by minorities, women, and persons with disabilities have access to the many opportunities to conduct business with CTPF.

10. Please provide a list of all MWDBE firms that you have terminated/ended a relationship with over the last 7 years and note what happened to the assets those firms had under management. If those assets were transferred to another firm, please name the firm and note whether it is an MWDBE firm.

Manager Name	Termination Date	Assets	Manager Name	MWDBE
Adelante Domestic REIT	FY2015	Restructured	Adelante Global REIT	Latino-owned
Lombardia Capital Partners	FY2015	Business Ended / Liquidated to Pay Pension Benefits	N/A	N/A
Progress Investment Management	FY2016	Terminated	Attucks Asset Management	African American owned
Ariel Small Cap Value	FY2016	Restructured	Ariel International	African American owned
Adelante Global REIT	FY2016	Exited REIT Asset Class / Liquidated to Pay Pension Benefits	N/A	N/A
Pluscious Hedge Fund of Funds	FY2017	Exited Hedge Fund Asset Class / Liquidated to Pay Pension Benefits	N/A	N/A
Holland Capital Management	FY2018	Business Ended / Transitioned	Rhumblin Large Cap Growth	Women-owned
Muller & Monroe ILPEFF Fund	FY2018	Partnership Term Ended / Distributed to Pay Pension Benefits	N/A	N/A

11. If a MWDBE firm is terminated, do you believe the assets must be transferred to another MWDBE firm? If not, why not?

CTPF is a strategic and long-term investor that adheres to its Investment Policy Statement, Asset Allocation Policy, and the Illinois Pension Code. Manager selection is based on various qualifications and criteria.

In the termination of a MWDBE manager or a majority owned manager, the Fund will seek to hire a qualified manager that will maintain or improve the diversification of the Fund, reallocate the funds to an existing manager to rebalance the portfolio and/or utilize the funds to make benefit payments.

Through a procurement process that includes a request for proposal, each manager is selected to meet specific investment objectives and/or performance of the Fund. The Board encourages the use of MWDBE/Emerging Investment Managers whenever possible.





Pursuant to IL Public Act 96-006 (40 ILCS 5/1-109.1), if a MWDBE/Emerging Investment Manager meets the qualifications and criteria for a specific search the MWDBE/Emerging Investment Manager shall receive an invitation to present the firm for final consideration.






II. Staff




1. Please complete Table #1: Staff, which is related to Board of Trustees, investment staff and consulting staff provided in the separate attachment.

TABLE #1: Staff

As of June 30, 2020, the Chicago Teachers' Pension Fund (CTPF) Board of Trustees was comprised of 12 members. Of the 12 Board members, 9 members or 75% were Minorities (42% African-American and 33% Latino(a)); with gender diversity at 8.3% Non-Minority Female.

	Trustees Name	Ethnicity/Gender	Type of Trustee
	Jeffery Blackwell <i>President</i>	African-American/Male	Active, elected by active contributors
	Mary Sharon Reilly <i>Vice President</i>	Caucasian/Female	Retired, elected by pensioners
	Gregory Redfeairn <i>Financial Secretary</i>	Caucasian/Male	Active, elected by active contributors
	Jacquelyn Price Ward <i>Recording Secretary</i>	African-American/Female	Active, elected by active contributors

	Trustees Name	Ethnicity/Gender	Type of Trustee
	James Cavallero	Latino(a)/Male	Active, elected by active contributors
	Gervaise Clay	African-American/Female	Active, elected by active contributors
	Miguel del Valle	Latino(a)/Male	Appointed by the Board of Education
	Lois Nelson	African-American/Female	Retired, elected by pensioners
	Tina Padilla	Latino(a)/Female	Active, elected by active contributors

	Trustees Name	Ethnicity/Gender	Type of Trustee
	Maria J. Rodriguez	Latino(a)/Female	Retired, elected by pensioners
	Dr. Jerry Travlos	Caucasian/Male	Active, elected by active principals
	Dwayne Truss	African-American/Male	Appointed by the Board of Education

As of June 30, 2020, the Chicago Teachers' Pension Fund investment department had a team of 10 people. The ethnic make-up was: 30% African-American, 10% Asian, and 20% Latino(a) with gender diversity at 10% Non-Minority Female.

CTPF Investment Department Staff		
Name	Ethnicity	Gender
James Binsfeld	Caucasian	Male
Robert Dickman-Lopez	Latino(a)	Male
Kelly Emmons	African-American	Female
John Freihammer	Caucasian	Male
Juventina Garcia	Latino(a)	Female
Andrew Kelsen	Caucasian	Male
Barbara Meyer	Caucasian	Female
Angela Miller-May	African-American	Female
Summer Qiu	Asian	Female
Cheryl Rooks	African-American	Female

As of June 30, 2020, the Callan consultants that were assigned to cover the Chicago Teachers' Pension Fund had a team of 10 members. The ethnic make-up was: 10% African-American, 10% Asian-American, and 20% Latino(a) with gender diversity at 50% non-minority Female.

Callan CTPF Team	
Ethnicity	Percentage of Total
African-American	10%
Latino(a)	20%
Asian-American	10%
Non-Minority Female	50%

As of June 30, 2019, Callan Associates' staff totaled 197. The ethnic make-up was: 5% African-American, 5% Asian-American, and 20% Latino(a) with gender diversity at 25% Non-Minority Female.

Callan Associates, LLC	
Ethnicity	Percentage of Total
African-American	5%
Latino(a)	20%
Asian-American	5%
Non-Minority Female	25%

2. Please provide a list of service providers (printers, lobbyists, attorneys, etc.) for 2019 and identify firms that are certified MWDBE.

(Please see Appendix B)

III. Consulting Firms

1. Please attach a copy of the report required per the Illinois Pension Code Sections 1-113.22 and 1-113.23. If your consultant has not furnished the required report, please explain why.

The Compliance Department of Callan Associates provided reports to respond to the Illinois Pension Code Sections 1-113.22 and 1-113.23 with the request that the information be treated as confidential.

Per Callan's Code of Ethics: "To ensure that confidentiality of client information is appropriately respected and to prevent sensitive information from being shared across Callan business units, fund sponsor client requests for more detailed information on manager relationships, including specific information regarding the fees paid to Callan by the managers employed by their fund, will be handled directly by Callan's Compliance department." As a result, Callan requests that the Senators do not share the revenue information with any Callan consultant.

Callan believes that all of their clients should receive unbiased investment manager recommendations. They do not want the amount of fees an investment manager pays Callan to influence their consultants' recommendations in any way.

Unbiased recommendations - unsullied by favoritism, special arrangements or other monetary relationships - are a key component to ensuring that Callan gives their clients advice that is most suitable specifically for them.

(Please see Appendix C)

- 2. Does your Consultant maintain a preferred/approved manager list? How many Diverse firms are on your Consultant's list? Please differentiate between public (e.g., equities, fixed income) and private markets (e.g., real estate, private equity).**

Callan does not maintain a preferred or approved manager list. Rather, all manager recommendations follow a customized search process tailored to each individual client. All manager recommendations are done on a case by case basis per the client.

Callan maintains a database of investment managers of which CTPF Investment Staff encourages all potential managers to utilize as a first step in working with Callan.

- 3. Does your Consultant include MWDBE firms in searches that do not request MWDBE firms? Please explain.**

Yes, Callan includes MWDBE firms in searches that do not request MWDBE firms. Our database of investment managers includes over 300 MWDBE firms and those with current return and asset data have the opportunity to participate in manager searches.

- 4. Firmwide, how many Diverse firms did your Consultant recommend in searches without a specific Diverse firm participation mandate in 2019? Please differentiate between public (e.g., equities, fixed income) and private markets (e.g., real estate, private equity).**

In 2019, Callan recommended to clients 14 MWDBE firms (12 public markets and two private markets) in searches without a specific Emerging/Diverse participation mandate.

- 5. Firmwide, what percentage of total consultant client assets are managed by MWDBE Managers? What percentage of consultant clients are not Illinois public pension funds? What percentage of these clients do not have an established policy for investing with Diverse firms?**

As of 9/30/20, MWDBE managers managed 1.3% of total Callan client assets. Ninety-eight percent of Callan's clients are not Illinois public pension funds. While an exact percentage is not available at this time, the vast majority of these clients do not have an established policy for investing with diverse firms.

- 6. Firmwide, how many consultant searches included a MWDBE firm and of that number, how many did not have a MWDBE mandate associated with the search?**

Callan includes MWDBE managers in the starting universes of all searches we conduct. Callan included MWDBE candidates in the starting universes of each of the 149 searches conducted in 2019 with the vast majority of these searches excluding a specific MWDBE mandate.

7. In what ways does your Consultant help in creating capacity for Diverse Managers within the industry? Does your Consultant have an established policy for inclusion of Diverse Managers on their approved list?

- Callan has committed to meeting with all MWDBE global equity and fixed income public market firms in our database that have submitted current asset and return data by the end of 2020 to ensure we are current on all firms and have made introductions with those few firms we have not yet met.
- MWDBE firms are included in every search Callan conducts with reasoning shared with Callan's Manager Search Committee on why firms fell out if they were not advanced. Callan's Global Manager Research team provides our Manager Search Committee with introductions of MWDBE firms outside of specific searches to ensure the Committee is staying abreast of the MWDBE manager landscape.
- Callan has expanded its online manager questionnaire to include questions on investment manager DEI initiatives including recruiting, training and retention of diverse employees. Additionally, we have added a request to capture diversity statistics across all personnel at the firm and at the board level in addition to ownership stats.
- Callan's Inclusion Committee assists with the following initiatives:
 1. Callan Connects
 - Quarterly meeting introductions with 8-12 Emerging/Diverse managers across Callan offices and major cities since 2010. Meeting notes captured in a centralized database and distributed throughout the firm.
 1. Callan's August and December 2020 Callan Connects events will be held virtually, which enables us to expand our reach to DWDO firms. We had 21 firms participate in our August virtual event and anticipate 30 firms in December.
 - Annual networking event in San Francisco for Emerging/Diverse firms to share ideas on marketing, operational efficiencies, succession planning, etc.
 2. Expanded outreach to educate diverse student groups in our industry and produce collateral on industry diversity trends and data
 3. Annual Best Practices Workshop exclusively for Emerging/Diverse firms
 4. Open database for any Emerging/Diverse manager to submit data and have the opportunity to participate in searches; multiple diversity factors captured at the firm and team level in our database
 5. Memberships with National Association of Securities Professionals (NASP) and Toigo Foundation
 6. Conferences and Diverse-focused organization engagement
 - NASP Consultant Retreat and Pension & Financial Services Conference
 - GCM Grosvenor Diverse + Women Managers Conference and Small + Emerging Managers Conference
 - Falk Marques Women's Private Equity Summit and Women's Alternative Investment Summit
 - Kayo Women's Real Estate Summit
 - Toigo Foundation Industry Insights and Annual Gala
 - Women in Institutional Investments Network Conference
 - Real Estate Emerging Managers Summit
 - Association of Asian American Inv Managers Annual Conference
 - New America Alliance
 - Opal

8. Does your Fund follow the “Garcia Rule” like the Illinois State Treasurer? If not, why not?

CTPF selects managers that meet specific investment objectives and/or performance goals of the Fund. The Board encourages the use of MWDBE/Emerging Investment Managers whenever possible.

Pursuant to IL Public Act 96-006 (40 ILCS 5/1-109.1), if a MWDBE/Emerging Investment Manager meets the qualifications and criteria for a specific search the MWDBE/Emerging Investment Manager shall receive an invitation to present the firm for final consideration.

Selection of Investment Managers shall be governed by the Contract Administration and Procurement Policy as it applies to Investment Managers/Advisers. These policies are adopted and incorporated by reference into CTPF’s Investment Policy Statement and are available on the Fund’s website.

Callan and Staff are required to identify and present to the Board of Trustees in a report all minority and female-owned firms and firms owned by persons with a disability responding to any CTPF Request for Proposal. Callan and Staff must either include MWDBE firms as a finalist or specify the reasons when MWDBE firms are not brought forward as finalists.

As such the implementation of the “Garcia Rule” as followed by the Illinois State Treasurer is not necessary or required as CTPF adheres to policies that are comparable.

9. Do you require your Consultant to disclose all economic benefit received from asset managers, both directly and indirectly? If not, why not?

Per the Illinois Pension Code Sections 1-113.22(a) and 1-113.23(b) and in compliance with the required disclosures from consultants, CTPF requires Callan to disclose all economic benefit received from asset managers on an annual basis.

Specifically, CTPF obtains fee information that Callan has received from asset managers in the preceding 24 months on an annual basis.

10. Do you require your Consultant to complete the Diverse Asset Managers Initiative (DAMI) demographic questionnaire? If not, why not?

CTPF has not required our Consultant to complete the Diverse Asset Managers Initiative (DAMI) demographic questionnaire.

However, Callan has voluntarily participated in the 2019 and 2018 DAMI Investment Consultant Surveys which ask for information regarding the Investment Consultant’s record-keeping of diverse hires, both internally and in searches for clients.

Specifically, the survey requested demographic data on each Investment Consultant’s staff (research and non-research), management, and search methodology.

The survey is voluntary and self-administered, and all firms agree to share their responses publicly through the DAMI Annual Report.

11. Does your Consultant disclose the demographic data of its senior management?

Callan discloses the demographic data for the entire organization including all 197 staff members and for the Callan team that represents Chicago Teachers' Pension Fund. CTPF has not previously required Callan to provide separate data for senior management.

IV. RFPs

1. Has your Fund issued RFPs in accordance with Public Act 96-006, which requires that diverse firms be exempt from AUM and tenure track record minimum requirements?

Public Act 96-006 "encourages trustees of public employee retirement systems, pension funds, and investment boards to use emerging investment managers in managing their system's assets, encompassing all asset classes, and increase the racial, ethnic, and gender diversity of its fiduciaries, to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation in investment opportunities afforded by those retirement systems, pension funds, and investment boards."

CTPF encourages the utilization of diverse firms and works to remove any barriers to participation in investment opportunities to the greatest extent feasible within the bounds of financial and fiduciary prudence. CTPF's Requests for Proposal ("RFP") require that firms be well capitalized and stable. The Investment Manager must have sufficient assets under management to support the professional staff required to successfully manage the strategy. While the RFPs will state a preferred minimum AUM, it also states that smaller firms will be considered.

The track record required varies. It will depend on the strategy and the standard amount of tenure needed to demonstrate that the manager is qualified to employ such a strategy successfully for institutional investors. Again, diverse managers will be considered.

2. Please list all RFPs issued across all asset classes for 2018, identifying any searches that were specifically for emerging/diverse firms. Please provide the following information:

- Confirm the RFP was publicly listed on the Fund's and Consultants' website
- Mandate allocation
- Number of respondents
- Number of MWDBE respondents (broken out by diversity category i.e. African American, Latino, Asian, Woman, Disabled, etc)
- Number of finalists selected
- Number of MWDBE finalists selected (broken out by diversity category i.e. African American, Latino, Asian, Woman, Disabled, etc)
- Name of the firm that won the mandate and note whether the firm is diverse

(Please see Appendix D)

3. When issuing your RFPs and evaluating your Managers, do you request information regarding whether they have ethnic diversity in the c-suite?

Yes, CTPF requires that RFP respondents complete EEOC Tables as part of the RFP documents depicting diversity at all levels of the organization.

Yes, CTPF requires that existing managers complete EEOC Tables as part of their annual due diligence presentations to the Board of Trustees and as a part of the Investment Annual Compliance Package.

4. When issuing your RFPs and evaluating your Managers, do you request information regarding your Manager's utilization of MWDBE investment banks for capital markets services, mergers and acquisitions services and/or other advisory services? If not, why not?

No, CTPF does not request information regarding Manager's utilization of MWDBE investment banks for advisory services as it is not a part of our evaluation criteria in manager selection and considered a matter of the manager's discretion.

CTPF encourages the utilization of diverse firms and works to remove any barriers to participation in investment opportunities to the greatest extent feasible within the bounds of financial and fiduciary prudence.

5. When issuing your RFPs and evaluating your Managers, does your Plan request information from your Private Equity Managers regarding the ethnic diversity of the boards of their portfolio companies? If not, why not? If so, what is the representation?

CTPF does not request information from Private Equity Managers regarding the ethnic diversity of the boards of their portfolio companies at the time of RFP issuance. When an RFP is issued, CTPF would not be considered a limited partner on a prior Fund and would not be privy to information concerning those existing portfolio companies.

In turn, when an RFP is issued, CTPF works to be a first closer for improved limited partner terms. Many times, the Manager will not have made any investments in portfolio companies as of the date of CTPF's investment. Managers will have three to four years of an investment period to acquire companies.

CTPF is currently beginning to request information on the board make up and governance of the underlying portfolio companies for the funds of existing private equity managers. The representation is not something that we have begun to formally track and evaluate on a regular basis. CTPF is at the beginning stage of formulating processes around obtaining and tracking related information.

V. Brokers and Transition Managers

- 1. Please list all underlying managers that did not meet your MWDBE brokerage goals for 2019. What consequences did these managers face for not meeting those goals and for their violations?**

There was one investment manager, Zevenbergen Capital Investments, who did not meet CTPF's MWDBE brokerage goals for 2019.

Managers who fail to meet CTPF's annual brokerage requirements on a yearly basis are asked to appear before the Board to explain why they have not met their brokerage requirements; failure by an investment manager to meet our MWDBE brokerage requirements is considered when evaluating the investment manager's overall performance.

- 2. Are the Fund's Transition Managers required to meet or exceed the Fund's minority/women owned brokerage firm utilization goals, if the Fund has goals, when conducting open market trades during transitions?**

All transition managers are fiduciaries to CTPF and are expected to meet or exceed CTPF's brokerage goals.

As part of the selection process, prospective transition managers are advised of CTPF's MWDBE brokerage commission goals and of CTPF's expectation that the transition manager will meet or exceed these goals. CTPF considers failure to meet its brokerage goals as a breach of contractual obligations, which can result in the contract being terminated. If the transition firm fails to meet CTPF's brokerage goals after the transition is complete, it is noted in the firm's performance evaluation. This information is considered during future portfolio transitions.

- 3. What is your process for managers to report commissions to comply with your stated goals? How often are they required to report (monthly, quarterly, annually)? What is your policy for managers who do not comply and what actions are taken if a firm consistently fails to meet your stated goals?**

Investment Managers report quarterly, via a brokerage template, all commissions paid to broker/dealers. The data is stored, analyzed, and reported by staff.

Managers who fail to meet CTPF's annual brokerage requirements on a yearly basis are asked to appear before the Board to explain why they have not met their brokerage requirements; failure by an investment manager to meet our MWDBE brokerage requirements is considered when evaluating the investment manager's overall performance and leads to them being placed on the company watch list.

- 4. Depending on asset class, what solutions do you provide managers who struggle to meet stated goals? At what point do you terminate non-compliant managers or take assets away from them.**

It is rare that managers struggle with meeting the MWDBE Brokerage goals. However, when there is non-compliance, the issue has revolved around the narrow usage of the Approve MWDBE Brokers list.

CTPF works with the manager on a quarterly basis to identify the source of the problem and a resolution. CTPF helps to facilitate the manager cultivating relationships with additional brokers to avoid violating the policy going forward. CTPF also consistently reviews the Approved MWDBE Broker

list to add new brokers and remove brokers that have exited the business in an effort to keep the list updated with qualified brokers.

Managers who fail to meet CTPF's annual brokerage requirements are placed on a Watch List for monthly monitoring and re-evaluated by the Board of Trustees the following year. At the point of re-evaluation of performance, if the manager has not increased brokerage utilization or resolved the problem, CTPF may consider a reduction of assets or termination.

5. Do you request information regarding MWDBE brokerage utilization by managers prior to being hired to understand whether trading with MWDBE firms is part of their culture rather than just compliance with client requests? If not, will you consider requesting this information in the future?

CTPF develops relationships with Investment Managers long before posting an RFP or initiating a search. It is a part of CTPF's due diligence process to get to know the managers, their organizations, teams and investment philosophies as well as their commitment to diversity and inclusions and sustainable investing.

In the many meetings that staff has with managers, discussion topics include diverse hiring, retention and promotion of staff, utilization of diverse brokers and vendors as well as performance, risk management, sell/buy disciplines, and various other quantitative metrics.

CTPF communicates qualifications, policies, and requirements to do business with the Fund as part of the RFP process and collects a great deal of information from the Managers inclusive of diversity metrics.

In the evaluation of all RFP documents, materials, and qualitative and quantitative measures, the culture of the manager or the organization becomes apparent.

CTPF is committed to providing opportunities for minority, women, and persons with disabilities owned brokerage firms. The Board of Trustees of CTPF adopted a policy which sets forth goals for increasing the utilization of the Fund's approved MWDBE brokerage firms. Trades must be executed directly with CTPF-approved MWDBE brokers to count toward the Fund's MWDBE Brokerage Utilization goals.

As such, we would consider adding language and collecting more information that specifically addresses culture, to further the reach of diversity and inclusion in the financial industry.

6. How often do you review manager brokerage utilization goals (monthly, quarterly, yearly)?

CTPF's Investment staff reviews manager brokerage utilization goals on a quarterly basis as part of their quarterly due diligence calls and quarterly report reviews.

CTPF's Board of Trustees review the managers brokerage utilization goals during any manager in person/virtual due diligence Board presentations.

Annually, Investment Staff presents a MWDBE Brokerage Utilization Report to the Board of Trustees to review all managers' brokerage utilization over the reporting 12- month period and all commissions paid to MWDBE Brokers.

7. When evaluating your Managers, do you request information regarding whether they have ethnic diversity in the c-suite?

Yes, CTPF requires that RFP respondents complete EEOC Tables as part of the RFP documents depicting diversity at all levels of the organization.

Yes, CTPF requires that existing managers complete EEOC Tables as part of their annual due diligence presentations to the Board of Trustees and as a part of the Investment Annual Compliance Package.

8. Do you request information regarding your Manager's utilization of MWDBE investment banks for capital markets services, mergers and acquisitions services and/or other advisory services? If not, why not?

No, CTPF does not request information regarding Manager's utilization of MWDBE investment banks for advisory services as it is not a part of our evaluation criteria in manager selection and considered a matter of the manager's discretion.

CTPF encourages the utilization of diverse firms and works to remove any barriers to participation in investment opportunities to the greatest extent feasible within the bounds of financial and fiduciary prudence.

9. Does your Plan request information from your Private Equity Managers regarding the ethnic diversity of the boards of their portfolio companies? If not, why not? If so, what is the representation?

CTPF does not request information from Private Equity Managers regarding the ethnic diversity of the boards of their portfolio companies at the time of RFP issuance. When an RFP is issued, CTPF would not be considered a limited partner on a prior Fund and would not be privy to information concerning those existing portfolio companies.

In turn, when an RFP is issued, CTPF works to be a first closer for improved limited partner terms. Many times, the Manager will not have made any investments in portfolio companies as of the date of CTPF's investment. Managers will have three to four years of an investment period to acquire companies.

CTPF is currently beginning to request information on the board make up and governance of the underlying portfolio companies for the funds of existing private equity managers. The representation is not something that we have started to formally track and evaluate on a regular basis. CTPF is at the beginning stage of formulating processes around obtaining and tracking related information.

10. Do you have a process for evaluating transition managers? If so, what is your process? If not, why not?

The Chicago Teachers' Pension Fund utilizes a pool of approved transition managers. When the Fund requires a transition manager, the managers are invited to bid on the project. Finalists are selected based on (1) cost and (2) feasibility of the transition plan. The CTPF investment staff and the consultant interviews each of the finalists to discuss their proposals. After completion of the interviews, the Chief Investment Officer, the CTPF investment staff and the investment consultant select the transition manager, with the Board's approval, that is the best overall fit.

All transition managers are fiduciaries to the Fund and are expected to meet or exceed the Fund's brokerage goals.

As part of the selection process, prospective transition managers are advised of the Fund's MWDBE brokerage commission goals and of CTPF's expectation that the transition manager will meet or exceed these goals. The Fund considers failure to meet our brokerage goals is a breach of contractual obligations, which can result in the contract being terminated. If the transition firm fails to meet the Fund's brokerage goals after the transition is complete, it is noted in the firm's performance evaluation. This information is considered during future portfolio transitions.

11. If your Plan has a Transition Manager bench, are there any MWDBE Transition Providers on that bench? If not, why not? Have any MWDBE firms been awarded transitions by your Plan? To what extent have you considered setting goals within this category?

The MWDBE Transition Managers included in the pool of transition managers are Loop Capital Markets and Penserra Capital Management. MWDBE Transition Managers have been awarded transitions for CTPF.

Although CTPF does not frequently use a Transition Manager, the CTPF Brokerage Utilization Policy ensures that MWDBE brokers inclusive of Loop Capital Markets and Penserra Capital Management have the opportunity to participate in the economics of a transition. As such, we have not considered setting goals within this category.

The determination to engage a transition manager is guided and supported by a detailed project plan, competitive pricing and continuous communication. A transition manager should have a successful track record of the following:

- Reconcile all stages through the transition
- Accurately construct the target portfolio's market exposure
- Preserve asset value and minimize costs
- Control Risk
- Execute in a timely manner
- Maintain confidentiality
- Provide comprehensive post trade reporting and evaluation

12. Did you use a consultant to assist/advise you on when or if to use a transition manager?

CTPF partners with the Consultant on evaluating and selecting a transition manager when the Fund finds it necessary to use a transition manager.

13. How many transitions did your Consultant advise on during the last 24 months and what were the overall fees paid to transition managers in which they advised?

During the last 24 months, Callan advised on one fixed income transition in third quarter 2019. The overall fees paid to transition managers were \$231,033.

14. Does your Consultant include MWDBE firms in searches that do not request MWDBE firms? Please explain.

Yes, Callan does include MWDBE firms in searches that do not request MWDBE firms.

Specific to transition management searches, Callan presents the range of providers available in the marketplace and the opportunity set of reasonable alternatives, including MWDBE firms. Before embarking on a search for transition managers, Callan conducts an education workshop about the industry covering market dynamics, liquidity considerations, trade execution, risk management, operations management, best practices embraced by institutional investors, regulatory considerations, universe of providers, asset class specialists, and costs and fees.

Through this education session, we are able to introduce different perspectives and areas of consideration, including the use and value proposition of MWDBE firms proven to have requisite skillsets and track records to effectuate a transition event. We truly believe that MWDBE firms deserve further consideration by “lowering the barrier, but not the bar.”

15. How many transitions did your Plan conduct during the last 24 months? Please provide details regarding the firm that was awarded each transition and total commissions/fees paid to each transition manager by event.

During the last 24 months, CTPF conducted one fixed income transition in third quarter 2019.

Blackrock Transition Management was awarded the 2019 Fixed Income Transition and total fees paid were \$231,033. Blackrock achieved the MWDBE Brokerage goals in fixed income par volume traded.

VI. Fees

1. What are your fee negotiation practices/policies? How do they differ from your Traditional Managers vs. Diverse Managers?

- Investment manager fees are a meaningful cost to the pension fund, and CTPF takes an active approach to negotiating and lowering those fees whenever reasonable.
- CTPF accomplishes this through the life of an investment from initial contract negotiations with a new manager to ongoing discussions with existing managers in its portfolio.
- CTPF regularly reviews and compares the fee loads of each individual manager with broader industry trends and averages. On the basis of these ongoing reviews and analyses, CTPF will actively engage its managers in fee negotiations.
- There is no difference in philosophy or implementation in how CTPF approaches fee negotiations with its traditional managers vs. its Emerging/Diverse managers.

2. If you have hired a Manager of Managers, what fees are paid to your Manager of Managers? What amount of the Manager of Managers fees are paid to the underlying managers? Please be specific and request this information from your Manager of Managers if necessary.

Total Fees Paid	2015	2016	2017	2018	2019
	\$2,873,599.01	\$2,095,422.36	\$2,346,001.49	\$2,467,249.16	\$2,407,560.72
% of Fees Paid	2015	2016	2017	2018	2019
Manager of Managers	40.2%	44.4%	39.0%	41.3%	41.9%
Underlying Managers	59.8%	55.6%	61.0%	58.7%	58.1%

VII. Graduation

1. Does your Plan have a formal graduation policy for the Minority Managers in your program? If so, please provide and summarize the policy. If not, please state whether your Plan is interested in creating such a policy and if so, please describe the criteria that would be included in such a policy. If you are not interested in developing a formal graduation policy, please explain why.

CTPF does not currently have an Emerging/Minority Manager Program. Inclusion and Diversity is a part of CTPF's culture and an expectation of all investment professionals. It is an overall goal to be inclusive and aligns with CTPF's investment philosophy. CTPF does not segregate the utilization of emerging/minority managers out of the overall portfolio investing as a separate and distinct program initiative.

CTPF has the capacity to identify and evaluate MWDBE managers, but would be challenged with developing the manager, facilitating asset growth and assisting in attracting new forms of capital. As a result, CTPF evaluates its relationship with its Manager of Managers and seeks to create improved partnerships that will foster increased opportunities for Emerging/Minority managers. It is believed that this approach creates a broader buy-in and acceptance of the benefits of diversity and inclusion.

2. Does your Plan have a direct Diverse Managers program or is your exposure to Diverse Managers solely via Manager of Managers platforms?

CTPF's Trustees utilize the Manager-of-Managers (MoM) program to provide many opportunities for emerging managers to work with CTPF. The MoMs assist CTPF in funding minority, female, and persons with a disability-owned business enterprise (MWDBE) investment managers in the most efficient and risk-effective manner.

CTPF's investment staff, investment consultant, and the MoMs develop relationships with the sub-advisors of the MoMs and works closely with each of these sub-advisors to monitor their performance and to help develop their firms.

3. To the extent a Manager of Managers platform is utilized to access Diverse managers, is there a process in place to graduate underlying managers from the Fund of Fund program?

Each MoM submits an annual sub-advisor evaluation report to CTPF. These evaluations report the status of the following elements for each sub-manager: product, strategy, personnel, infrastructure, and performance. When the MoM feels that a sub-advisor can feasibly sustain a direct mandate from CTPF, the MoM recommends that the sub-advisor graduate to a direct mandate with CTPF.

When the CTPF Board of Trustees approves a new strategic asset allocation or a rebalancing is needed, staff and consultants consider existing managers and the direct hiring of current sub-advisors from a MoM program. We review our existing investment managers' relationships to determine if we can: 1) graduate existing sub-advisors out of the MoM program and give them their own allocations, 2) increase the allocations to the MoM program that will either increase the allocations to the existing sub-advisors or increase the number of emerging managers used in the MoM program, 3) increase the allocations to existing managers, or 4) conduct an investment manager search to add a new investment manager to the CTPF portfolio.

Since the inception of the Manager-of-Managers program in 2004, eight underlying managers have graduated to direct mandates with CTPF.

4. When conducting a manager search, are the managers in your Diverse Manager program given first consideration before initiating a search? If they are not given first consideration, please explain in detail why not and note if there are any legal considerations prohibiting this practice.

When conducting a public market manager search, CTPF gives managers in our MoM programs first consideration before initiating a Request for Proposal. To the best of our knowledge, there are no legal considerations prohibiting this practice.



Chicago Teachers' Pension Fund

Chicago Teachers' Pension Fund
ATTN: Investment Department
425 S. Financial Place | Suite 1400
Chicago, Illinois 60605-1000

Office Hours: 8:00 a.m. – 5:00 p.m.
312.641.4464 *main* | 312.641.7185 *fax*
www.ctpf.org

NOTE | For the health, safety, and wellbeing of all CTPF Members, the Fund continues to deliver all member services remotely. Find additional information at ctpf.org/covid-19.