



**OFFICE OF THE ILLINOIS STATE TREASURER**  
**MICHAEL W. FRERICHs**

**FIRST Fund**  
**Investment Policy Statement**

**Effective: 12/3/2025**

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## **Office of the Illinois State Treasurer**

### **FIRST FUND INVESTMENT POLICY STATEMENT**

#### **1.0 Purpose**

This document sets forth the investment policy (“Policy”) for the FIRST Fund (“FF”) of the Office of the Illinois State Treasurer (“Treasurer”).

The purpose of the Policy is to ensure that the Treasurer and any contractors the Treasurer retains to provide services related to FF, take prudent, measured, effective actions while supporting FF. Specifically, this Policy addresses the following key areas:

- a) The investment objectives and underlying investment strategy of FF;
- b) General parameters for the investment of assets in FF;
- c) The roles and responsibilities of the Treasurer and any contractors retained that provide services related to FF; and
- d) The processes for the performance evaluation of contractors who provide investment, administrative, advisory, and/or reporting services to the Treasurer for FF.

This Policy is designed to allow for sufficient flexibility in the management and oversight process to take advantage of investment opportunities as they arise, while setting forth reasonable parameters to ensure prudence and care in the execution of FF.

The Treasurer establishes and executes this Policy in accordance with applicable local, State, and federal laws.

#### **2.0 Establishment and Authority of Entity**

In July of 2021, the Illinois General Assembly passed the Infrastructure Development Act, 15 ILCS 560/1 *et seq.* (the “Act”), authorizing the Treasurer to segregate up to 5% of the investment portfolio to make investments from the Infrastructure Development Account that help attract, assist, and support quality infrastructure development projects in Illinois. All or a

portion of the moneys in the Infrastructure Development Account shall be invested to provide development capital to infrastructure development projects, seeking to locate, expand, or remain in Illinois by placing money with Illinois infrastructure development firms.

### 3.0 Definitions

**"Development capital"** means financing for investments in which the underlying assets involve direct ownership of non-financial assets for developing or expanding in Illinois.

**"Direct Investment"** means a direct investment made through an investment vehicle organized to act on direct opportunities in an identified for-profit infrastructure development project that is operating in Illinois. Direct investments are limited to investments in Illinois for the purpose of enhancing the overall objectives of the Act.

**"Illinois infrastructure development firm"** means an entity that:

- a) has more than 50% of its employees in Illinois or that has at least one general partner or principal domiciled in Illinois; or
- b) provides financing for investments in which the underlying assets involve direct ownership of non-financial assets to develop or expand in Illinois; or
- c) has a track record of identifying, evaluating, and investing in Illinois infrastructure development projects and providing financing for investments in which the underlying assets involve direct ownership of non-financial assets to develop or expand in Illinois.

**"Illinois infrastructure development project"** means a project that has as its principal function investing in real assets to develop economic and social infrastructure including, but not limited to, land, buildings, transportation, utilities, communication, renewable energy, schools, healthcare, and other real assets.

**"Significant presence"** means at least one physical office and one full-time employee within the geographic borders of this State.

**"Track record"** means having made, on average, at least one investment in an Illinois infrastructure development project in each of its funds if the Illinois infrastructure development firm has multiple funds or at least 2 investments in Illinois infrastructure development projects if the Illinois infrastructure development firm has only one fund.

### 4.0 Investment Objectives

FF has three primary objectives: (i) to generate investment returns; (ii) to develop and support quality infrastructure development projects in Illinois; and (iii) to foster a diverse and inclusive investment manager and development community in Illinois. The Treasurer has underlying

objectives for the investment of monies from FF in accordance with the Act, including the following:

- a) **Performance** – FF will endeavor to make investments in Illinois infrastructure development firms to attract, assist, and support quality infrastructure development projects in Illinois. It is expected that the returns generated by FF will be sufficient to compensate the Treasurer for the long-term and illiquid commitments associated with these investments.

Recognizing the long-term nature of these investments, this relative performance will be measured over multiple market cycles. As a result, the Treasurer has adopted a long-term total return strategy for FF investments, and the assets will be managed on a total return basis. The Treasurer recognizes the importance of capital preservation and adheres to the principle that varying degrees of investment risk are generally remunerated with compensating returns in the long-term. Additionally, to ensure the Program's impact goals are met, the Program may at times strategically target returns that differ from similar programs with the investment goal of generating a return above invested capital.

To evaluate performance, the Treasurer will use a target Multiple on Invested Capital ("MOIC") and portfolio benchmarking. The goal will be to create and utilize a customized benchmark that incorporates benchmark data from the Burgiss Real Assets benchmark service or such other service as the Treasurer approves. As the FF asset mix becomes apparent during the commitment period, the Treasurer shall conduct a review to assess whether use of a blended benchmark is more appropriate for performance measurement purposes. Furthermore, the Treasurer's investment advisor for FF ("Investment Advisor") shall perform and report benchmark comparisons against pertinent public market equivalents ("PMEs") including, but not limited to, the NCREIF Fund Index Open End Diversified Core Equity Index (NFI-ODCE) and FTSE Developed Core Infrastructure 50/50 Index.

- b) **Diversification** – In order to achieve FF investment objectives, investments shall be diversified to minimize the risk of loss. A long-term focus on investment results, as well as prudent diversification and active oversight, will be the primary risk control mechanisms. Diversification shall chiefly be considered along the following lines: (1) strategy; (2) sector; (3) size of investment; (4) development stage; (5) vintage year; (6) geographic location; (7) fund managers; and (8) underlying portfolio investments.
- c) **Strategy Classifications** – FF investments may be classified by strategy, including, but not limited to the following: (1) Core/Core Plus; (2) Value-Add; (3) Opportunistic; and (4) Debt.
- d) **Responsible Contractor Policy** – The Treasurer and any contractors servicing FF shall seek to identify, recruit, and recommend fund managers that have a responsible contractor policy ("RCP") consistent with the objectives and standards stated in the [Treasurer's RCP](#) and where applicable to the proposed manager's strategy. If not, the proposed fund manager must either agree to the Treasurer's

RCP or develop a RCP with provisions consistent with the Treasurer's RCP. The RCP supports and encourages fair wages and fair benefits for workers employed by its managers, contractors and subcontractors, subject to the fiduciary duties of loyalty and prudence, which require competitive returns on the Treasurer's investments.

- e) **Cost-Efficiency and Fee Transparency** – The Treasurer and its contractors seek to minimize any fees or costs that diminish from the total assets or value of FF, particularly those that are not standard for the asset class. Furthermore, the Treasurer and its contractors shall strive to achieve full transparency by delineating fees and expenses.
- f) **Encouraging Additional Investments and Investor Focus in Illinois Infrastructure Development Projects** – The Treasurer and any contractors servicing FF will encourage the investment and philanthropic community to explore and monitor development infrastructure related investment opportunities in Illinois in tandem with the Treasurer. This may include hosting investor forums, facilitating meetings between investors and the Treasurer, or various other efforts.
- g) **Diversity among Fund Managers** – According to the Illinois State Treasurer Act, 15 ILCS 505/30(c) it shall be the aspirational goal of the Treasurer to promote and encourage the use of businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability ("MWVD Persons") of not less than 25% of the total dollar amount of funds under management, purchases of investment securities, and other contracts to businesses owned by or under the control of MWVD Persons.

To the greatest extent feasible within the bounds of financial prudence, it shall be the policy of the Treasurer and any contractors servicing FF to identify, recruit, and recommend fund managers, and to remove any barriers to the full participation of fund managers, that are at least 51% owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability.

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability" and "control", have the meanings provided in Section 2 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/2 (1)). The terms "veteran", "qualified veteran-owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 45 of the Illinois Procurement Code (30 ILCS 500/45-57).

- h) **Diversity among Portfolio Investments** – The Treasurer and any contractors servicing FF seek to identify, recruit, and recommend fund managers that have utilized (a) qualified contractors, that are at least 51% owned and/or managed by minorities, women, military veterans, or persons with a disability, and/or (b)

infrastructure related projects geographically located in diverse communities or low-to-moderate income (“LMI”) communities. An investment is in an LMI area if it has an office in a census tract deemed “underserved,” with 20% or more of the population beneath the poverty line or earning a median family income of 80% or less than the metropolitan area’s median family income (per the standards of the Federal Financial Institutions Examination Council).

- i) **Sustainable Infrastructure Investments** – Within the stated investment objectives of this Policy, the Treasurer and any contractors servicing FF seek to identify, recruit, and recommend fund managers that have demonstrated experience investing in and/or an express ability to invest in “environmental infrastructure and renewable energy projects/companies” located in Illinois. “Environmental infrastructure” means projects that target the renewable fuels, waste and water sectors while renewable energy relates to alternative forms of energy including solar, geothermal heat, wind and hydro related projects. Investing in these types of companies and projects accelerates and strengthens Illinois’ position for the energy transition.
- j) **Opportunity Zone Investments** – The Treasurer and any contractors servicing FF seek to identify, recruit, and recommend qualified fund managers that invest in designated Opportunity Zones through Opportunity Zone Funds offered through the federal Tax Cuts and Job Act signed into law on December 22, 2017. An “Opportunity Zone Fund” is any investment vehicle organized as a partnership to invest in opportunity zones that holds at least 90% of its assets in opportunity zone assets.
- k) **Sustainability Factors** – Pursuant to the Illinois Sustainable Investing Act (30 ILCS 238), the Treasurer shall prudently integrate sustainability factors into its investment decision-making, investment analysis, portfolio construction, risk management, due diligence, and investment ownership to maximize anticipated financial returns, minimize projected risk, and more effectively execute duties.

Thus, consistent with achieving the investment objectives set forth herein, the Treasurer, the Investment Advisor, and any other contractors servicing FF have a responsibility to recognize, evaluate, and integrate sustainability risk factors that may have a material and relevant financial impact on the safety and/or performance of FF investments.

Sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and can be used to evaluate past performance and to plan future decision-making. As a complement to traditional financial analysis, an accounting of sustainability factors provides a more complete view of risks and value prospects that may materially impact an investment fund or the project’s long-term value.

Sustainability factors may include, but are not limited to, the following:

- (1) ***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.

- (2) ***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 climate change.
- (3) ***Social capital factors*** that may have an adverse or positive impact on customers, local communities, the public, and/or government, which may impact investment performance. Social capital factors may include human rights, customer welfare, customer privacy, data security, access and affordability, selling practices and product labeling, community reinvestment, and community relations.
- (4) ***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.
- (5) ***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.

Sustainability factors may be analyzed in a variety of ways, including, but not limited to: (1) direct financial impacts and risks; (2) legal, regulatory, and policy impacts and risks; (3) industry norms, best practices, and competitive drivers; (4) stakeholder engagement, and (5) opportunities for innovation.

Sustainability factors shall be implemented within a framework predicated on the following:

- **Materiality** – The Treasurer considers whether and to what extent a sustainability risk or opportunity exists that is reasonably likely to have a material impact on the financial condition or operating performance of a company, investment fund, or other investment vehicle.
- **Industry-Specific Information** – The Treasurer considers whether and to what extent the financially material sustainability risk or opportunity in question is relevant and applicable to individual industries.
- **Integration of Material Sustainability Factors in Internally and Externally Managed Investment Programs** – The Treasurer prudently integrates material and relevant sustainability factors, including, but not limited to, (1) corporate governance and leadership, (2) environmental (3) social capital, (4) human capital, and (5) business model and innovation, as



components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership in internally and externally managed investment programs.

- **Regular Evaluation of Sustainability Factors** – The Treasurer performs a recurring annual evaluation, at a minimum, of sustainability factors to ensure the factors are relevant to the evolving marketplace.
- **Additional Relevant and Financially Material Factors** – The Treasurer considers other relevant factors such as legal, regulatory, and reputational risks that contribute to an optimal risk management framework and are necessary to protect and create long-term investment value.

## 5.0 Investment Parameters

- a) **Commitment Amount** – No more than 5% of the balance of the State investment portfolio, which shall be calculated as: (1) the balance at the inception of the State's fiscal year; or (2) the average balance in the immediately preceding 5 fiscal years, whichever number is greater, shall be invested in FF.
- b) **Re-Investment of Distributions** – Distributions from FF may be re-invested into FF by the Treasurer without being counted against the 5% cap on monies invested in FF. The re-investment does not need to occur in the same fund.
- c) **Portfolio Diversification Approach** – FF investments shall fund Illinois infrastructure development firms that invest in economic and social infrastructure projects, and/or infrastructure development firms with a track record of investing in Illinois projects.
- d) **85% in Illinois Infrastructure Development Firms** – At least 85% of FF assets shall be invested in Illinois infrastructure development firms. The Treasurer is authorized to invest up to 15% of FF in infrastructure development firms headquartered outside of Illinois that have a track record of investing in Illinois projects.
- e) **Cap on the Amount Invested in Individual Funds** – No more than 15% of the total fund balance shall be invested in any individual fund, measured at the time of commitment.
- f) **2x Investment from Infrastructure Development Fund Managers in Illinois Projects** – Any fund in which the Treasurer places money under FF shall invest a minimum of twice the aggregate amount of investable capital that is received from the Treasurer in Illinois projects during the life of the fund. Investable capital is calculated as committed capital, as defined in the firm's applicable fund's governing documents, less related estimated fees and expenses to be incurred during the life of the fund. For instance,

if the Treasurer invests \$25 million in a FF recipient fund, the recipient fund must invest at least \$50 million in Illinois projects over the life of the fund. Funds shall invest additional capital in Illinois companies during the life of the fund if, as determined by the fund's manager, the investment 1) is consistent with the firm's fiduciary responsibility to its limited partners, 2) is consistent with the fund manager's investment strategy, and 3) demonstrates potential to create risk-adjusted returns consistent with the fund manager's stated investment goals.

- **Non-Compliance** – If, as of the earlier to occur of (a) the fourth year of the investment period of any FF recipient fund or (b) when that FF recipient fund has drawn more than 60% of the investable capital of all limited partners, a FF recipient fund has failed to invest the minimum amount required in Illinois projects, then the Treasurer shall provide written notice to the manager of that fund, seeking compliance with the minimum amount requirement. If, after 180 days of receipt of notice, the FF recipient fund has still failed to invest the minimum amount required in Illinois projects, then the Treasurer may elect, in writing, to terminate any further commitment to make capital contributions to that fund.

g) **Underlying Funds** – The following investment considerations, which shall be examined during the due diligence process, apply to all underlying funds as well as prospective recipient funds:

1. Utilization of reputable service providers in their administration of their legal, accounting, technology, and other various needs.
2. Provision of audited financials within 150 days of fiscal year-end.
3. Demonstration of a commitment to diversity, amongst their staff and their portfolio companies, their service providers, and their communities.
4. Demonstration of a commitment to recognizing, evaluating, and integrating sustainability risk factors that may have a material and relevant financial impact on the safety and/or performance of their investments.

h) **Minimum Fund Size** – FF investments shall have a minimum fund size of \$10 million to be eligible for investment by FF, the Treasurer reserves the ability to grant exceptions to funds that are below the \$10 million fund size minimum based on the fund's ability to significantly exceed one or more of the investment objectives set forth in Section 4.0, above.

i) **Co-Investments** – The Act authorizes the Treasurer to invest in co-investments. This Policy authorizes the use of co-investments, or a minority investment in an infrastructure development project/company made by investors alongside an Illinois infrastructure development firm in accordance therewith. Co-investments shall seek to be made on the same or better terms and conditions as provided to the partnership.

Co-investments are limited to investing in Illinois (the business activities and/or square footage of the co-investment must be primarily in the State of Illinois). Co-investments may take the form of equity, convertible preferred equity, or a

comparable instrument which provides an equity-type of return. Funds in the co-investment fund shall be accounted for separate and apart from other fund investments.

- j) **Impact Investments** - FIRST may establish an allocation as a part of the annual commitment amount to make distinct impact focused investments. This allocation is intended to advance FIRST's strategic objectives by directing capital toward investments that promote place-based impact in the local infrastructure and real estate sectors, catalyze infrastructure development across Illinois, support inclusive infrastructure development within LMI, and support infrastructure resiliency, in alignment with the Fund's established policy goals.

The Impact Investments may be deployed through fund investments and may also include investments made through the FIRST Co-investment vehicle, where appropriate. The size and structure of the allocation shall be determined annually through a comprehensive evaluation of the current portfolio composition and will have a limit of no greater than 10% of the total allocation per annum. This review will consider the overall risk profile, liquidity requirements, and prevailing market conditions to ensure that the allocation contributes meaningfully to the Fund's impact objectives while maintaining prudent risk-adjusted return expectations.

## 6.0 Investment Roles and Responsibilities

### a) **Treasurer**

The Treasurer exercises authority and control over the management of FF by setting policies and procedures which the staff of the Treasurer executes either internally or through contractors.

Key roles and responsibilities include, but are not limited to:

1. **Investment Policy** – The Treasurer is responsible for this Policy and shall review this Policy at least annually to ensure accuracy and continued relevance.
2. **Oversight** – The Treasurer is responsible for the direction of investments and administration of the assets of FF.
3. **Contractors** – In order to properly carry out its responsibilities, the Treasurer may use one or more contractors to assist in the administration of FF.
4. **Performance and Fee Monitoring** – The Treasurer will review the investment performance of each FF recipient fund, as well as the fees, on a quarterly basis.

5. **Due Diligence** – The Treasurer will monitor investments and participate in operational and investment due diligence activities individually and in coordination with the contractors retained to assist in the administration of FF.
6. **Accounting** – FF assets must be kept and accounted for separately from moneys in the Treasurer. The Treasurer will execute investment valuation procedures in compliance with Statement No. 72, Fair Value Measurement and Application, February 2015 of the Governmental Accounting Standards Board of the Financial Accounting Foundation, evaluating available inputs for investments to determine the input level most applicable.

The Treasurer maintains an Investment Policy Committee that is chaired by the Chief Investment Officer and includes senior members of Treasurer staff across Investments, Banking, Legal, Fiscal Operations, and anyone else deemed appropriate by the Treasurer. The Investment Policy Committee may perform oversight and advisory duties on behalf of the Treasurer to support FF, including, but not limited to the following:

1. Monitoring and providing insight into the construction and overall strategy of the investment portfolio;
2. Reviewing and providing insight into the investment policies, objectives, parameters, responsibilities, benchmarks, or management structure as appropriate;
3. Monitoring investment performance results and associated costs/fees on a quarterly basis;
4. Providing guidance and feedback regarding the suitability of prospective investment funds that are recommended for receipt of FF monies;
5. Monitoring and evaluating the performance and continuing appropriateness of each fund manager;
6. Assisting in the evaluation of the Investment Advisor, and any other external parties hired to service FF; and
7. Providing general commentary, perspective, and insights regarding market conditions in the infrastructure and real estate development community.

**b) Investment Advisor**

The Treasurer may use one or more Investment Advisors to assist in the administration of FF. The services provided by the Investment Advisor may include, but need not be limited to:

1. **Implementation of Investment Strategy** – The Investment Advisor shall implement, at the direction of the Treasurer, the investment strategy and portfolio allocation in accordance with this Policy.
2. **Evaluation of Recipient Funds** – The Investment Advisor may advise and provide fund evaluations to the Treasurer, taking into consideration the investment policy and objectives set forth in this Policy. This may include the screening of real estate and infrastructure firms and their associated investment funds. In addition, as outlined in Section 4.0 of this Policy, the Investment Advisor shall seek to identify, recruit, and recommend (a) qualified fund managers that are more than 51% owned and/or managed by minorities, women, military veterans, or persons with a disability, (b) qualified fund managers that have demonstrated experience and/or an express ability to invest in projects that utilize contractors that are at least 51% owned by minorities, women, military veterans, or persons with a disability or projects geographically located in diverse communities or LMI communities, (c) qualified fund managers that have demonstrated experience and/or an express ability to invest in “sustainable infrastructure” projects located in Illinois, and (d) qualified fund managers that integrate sustainability factors into investment analysis, portfolio construction, and due diligence.

While the Investment Advisor will have the responsibility to seek, recruit, screen, evaluate, and recommend opportunities for investment through FF, the Treasurer will approve or reject investment recommendations.

3. **Due Diligence** – The Investment Advisor is responsible for fund manager due diligence, which includes, but is not limited to, research, financial analysis, operational due diligence, legal, accounting, and background investigations of fund managers. The Investment Advisor will undergo due diligence activities in coordination with the Treasurer.
4. **Fund Monitoring** – The Investment Advisor is responsible for monitoring the performance of FF recipient funds, tracking the diversification of investments and the amounts invested by recipient funds and reconciling all reporting and accounting requirements of projects and recipient funds.
5. **Benchmarking** – The Investment Advisor is responsible for establishing applicable investment benchmarks (including public market equivalents), measuring the performance of recipient funds against set benchmarks, and reviewing benchmarks.
6. **Reporting** – The Investment Advisor is responsible for administering all pertinent reporting and recordkeeping duties of this Policy and the Act that are related to the duties of the Investment Advisor.
7. **Quarterly Meetings** – The Treasurer and the Investment Advisor shall meet at least quarterly to review fund performance as compared to applicable

benchmarks and peer group performance.

8. **Annual Report** – The Investment Advisor will prepare and provide the Treasurer with an annual report that (a) contains a summary of recipient fund performance, (b) outlines the impact on Illinois projects and the Illinois economy, (c) delineates percentages and amounts of investment returns, and (d) notes other pertinent reporting information that illustrates FF impact and pertinent developments.
9. **Encouraging Additional Investments and Investor Focus in Illinois Infrastructure Development Projects** – The Investment Advisor, working independently as well as in active collaboration with the Treasurer, shall make a concerted effort to encourage the investment and philanthropic community to explore and monitor investment opportunities in Illinois infrastructure related investments in tandem with the Treasurer. This may include hosting investor forums, facilitating meetings between investors and the Treasurer, or various other efforts.
10. **General Resource** – The Investment Advisor will serve as a general resource to the Treasurer for information, guidance, and training regarding investment, reporting, fund vetting and management, portfolio and project valuation.
11. **Other Duties as Assigned by the Treasurer** – In managing the investments of FF and recipients' funds, the Investment Advisor shall act in accordance with the standard of care and other responsibilities outlined in the contractual terms agreed upon between the Treasurer and the Investment Advisor.

The Investment Advisor shall act with the skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives. Responsibilities are subject to contractual terms agreed upon between the Treasurer and the Investment Advisor.

## 7.0 Reporting Requirements

In accordance with the Act, the Treasurer is required to obtain reports with information from all FF recipient fund investments. To fulfill these duties, the Investment Advisor shall track, aggregate, and report specific data and information to the Treasurer on a quarterly or annual basis, as determined by the Treasurer for all FF investments.

Not only is this intended to ensure compliance with pertinent statutes, but it will enable the Treasurer and the State of Illinois to obtain a more precise, comprehensive assessment on the outcomes and impact of FF.

Key reporting components include, but are not limited to the following:

- a) The aggregate amount of capital that is invested in Illinois projects by FF recipient funds during the life of the recipient fund (placed side-by-side with the amount of capital that is invested in the recipient fund from FF to ensure the fund is meeting the 2x requirement by the sooner of four years, or when the fund has drawn more than 60% of the capital of all limited partners);
- b) The names of the infrastructure investments invested in during the applicable investment period;
- c) The geographic location of the infrastructure development investments;
- d) The date of the initial and any follow-on investments;
- e) The cost of the investment, including all pertinent fees;
- f) The current fair market value of the investment;
- g) For Illinois investments, the number of Illinois employees on the investment date;
- h) The annual revenue generated by the investments within recipient funds;
- i) The ownership and/or management status of recipient funds and underlying investments regarding minority, women, veteran, or disabled status;
- j) For Illinois investments within recipient funds, the collection of economic impact metrics specifically (i) the number of investments and capital deployed in Underserved Areas, and (ii) the number of Illinois jobs created because of the development project;
- k) For Illinois investments within recipient funds, the collection of environmental impact metrics specifically, (i) Carbon Intensity (mtCO<sub>2</sub>e) (ii) Water Intensity (m<sup>3</sup>) (iii) Energy Intensity (kWh) (iv) Renewable Energy Use Ratio (%);
- l) The name, vintage, size, strategy, and dollar amount of capital committed for each recipient fund;
- m) The project name, date of investment, size, strategy, location, and dollar amount of capital committed for each direct and co-investment; and
- n) Whether or not the recipient fund is an Illinois infrastructure development firm.

The Investment Advisor will be responsible for communicating reporting requirements to recipient funds and work with such recipient funds to ensure standardization of reporting across all recipient funds.

To maintain sound accounting and financial reporting processes in accordance with

generally accepted accounting principles, FF investments and disclosures must be tracked and reported at fair market value.

The Treasurer shall execute FF investment valuation procedures in compliance with GASB Statement 72, completing and maintaining pertinent input-level review documents.

The Investment Advisor shall provide quarterly reports to the Treasurer no later than one-hundred-and-twenty (120) days of the final day in the pertinent quarter.

The Investment Advisor shall provide fiscal year-end reports to the Treasurer no later than one-hundred-and-fifty (150) days of the pertinent fiscal-year end.

If feasible, the Investment Advisor shall provide an audited financial report covering all the investments in FF to the Treasurer annually.

Quarterly and annual financial statements from recipient funds shall follow Financial Accounting Standards Board (FASB) topics 820 and 946.

The Treasurer supports and has adopted the fee reporting template established by the Institutional Limited Partners Association into its reporting efforts.

Any written information prepared, owned, used, or retained by the Treasurer with respect to a FF Recipient Fund may be subject to disclosure pursuant to the Illinois Freedom of Information Act, 5 ILCS 140/1 *et seq.*

## 8.0 Best Practices

The Treasurer seeks transparency, good governance practices, and alignment of interests when investing FF monies. Although the Treasurer will examine all fund terms on a case-by-case basis, the principles set forth in this section provide a general framework for discussing prospective fund partnership investments and are designed to improve the long-term benefits of the program. These principles are intended to promote thought leadership, consistency, and equity in the development of partnership agreements and in the management of funds by aligning the interests of general partners with limited partners, improving fund governance, and increasing the transparency of fees. As such, best practices for consideration may include, but not be limited to the following:

- a) **Carried Interest:** There should be a strong alignment of interest between the General Partner (“GP”) and Limited Partners (“LPs”) such that carried interest should be the primary motivator for investment success and profit creation for the GP. FF believes that the GP should be entitled to market-based carried interest after the return of contributed capital, including management fees and fund-level expenses. Preferred returns (net of profits) are an appropriate mechanism to ensure GPs are seeking to drive above-market investment returns before generating carried interest.



- b) **Management Fees:** Fees should be market-based and reflect the fund size, team size, and operation needs of a specific manager. Budget-based fees are a preferred mechanism of ensuring a strong alignment of interest between GP and LP and carried interest is the primary means of profit generation for the GP. Management fees should follow the J-curve of a real assets private equity fund and step down gradually over time as successor fund(s) are formed. Management fees should be inside the fund.
- c) **Expenses:** Placement agent fees and insurance expenses should be borne solely by the GP. Transaction fees and other fees (*e.g.*, monitoring, directors' fees, advisory fees, etc.) should be offset 100% against management fees to ensure an alignment of interest between GP and LPs. Private air travel or first class air should be generally avoided, and registration fees with regulatory bodies (such as SEC registration) should be borne entirely by the GP at no cost to the LPs.
- d) **General Partner Commitment:** The GP should have a substantial equity interest in the fund to maintain a strong alignment of interest with the limited partners, and a high percentage of the amount should be in cash as opposed to being contributed through the waiver of management fees.
- e) **Favorable Selection and Successor/Parallel Funds:** Key-persons should devote substantially all their business time to the fund and its parallel vehicles. No GP or any principal may close or act as GP for a fund with substantially equivalent investment objectives and policies until after the investment period ends, or the fund is invested, expended, committed, or reserved for investments and expenses. The GP should not invest in opportunities that are appropriate for the fund through other investment vehicles unless such investment is made on a pro-rata basis under pre-disclosed co-investment agreements established prior to the close of the fund.
- f) **Limited Partner Advisory Committee:** In general, and where applicable, the Treasurer will seek representation on the Limited Partner Advisory Committee ("LPAC") for all underlying funds. Representatives will be chosen at the discretion of the Treasurer and may include members of the Investment Advisor.

The mandate of the LPAC should be clearly disclosed and should generally include matters specific to evaluating conflicts of interest as presented by the GP, and other matters that would require a change to or interpretation of certain provisions within the LPA. GPs should not be voting members of LPACs.

- g) **Sustainability Integration:** The Treasurer seeks to do business with partners that share a commitment to and maintain best-in-class sustainability practices. Organizations that focus on good governance, corporate responsibility, and the well-being of stakeholder groups, including workers, customers, vendors, local communities, and investors, are better positioned to mitigate operational, legal, regulatory, and reputational risks and prosper over the long-term. GPs and other partner organizations are encouraged to integrate sustainability factors into fundamental business strategies, operations, and decisions.

- h) **Diversity, Equity, and Inclusion:** The Treasurer seeks to do business with partners that share a commitment to and maintain best-in-class practices related to diversity, equity and inclusion. Effective equity, diversity and inclusion practices enable organizations to perform better. GPs and other partner organizations are encouraged to integrate diversity, equity, and inclusion into recruitment, hiring and retention practices; to integrate diversity, equity and inclusion into supplier and vendor practices; to measure and disclose the demographic makeup of owners/board directors; to measure and disclose the demographic makeup of the workforce; to measure and manage pay equity practices; and regularly monitor evolving industry advancements and expectations in diversity, equity, and inclusion in the interest of maintaining best practices.
- i) **Principles of Responsible Workforce Management:** The Treasurer seeks to support best practices for fair wages and benefits for workers employed by portfolio assets, subject to fiduciary principles concerning duties of loyalty and prudence. The recommended best practices for GPs include: supporting worker rights on freedom of association; making occupational safety and health a top priority; supporting the payment of industry standard wages defined by federal and state prevailing wage regulations; discouraging the use of temporary staffing agencies as a substitute for full-time employees; adopt policies and respect collective bargaining agreements in the case of mergers, restructuring, reorganization, terminations or bankruptcies; and adopt policies that encourage diversity and inclusion and that prohibit discrimination and harassment in the workplace.
- j) **Responsible Contractor Policy:** The Treasurer seeks to do business with partners that have policies that supports and encourages fair wages and fair benefits for workers employed by its managers, contractors and subcontractors, subject to fiduciary principles concerning duties of loyalty and prudence, both of which further require competitive returns on infrastructure and real estate investments. Prudence around these policies provides assurance that there is sufficient flexibility in controlling investment risks and returns while using responsible contractors.

## **9.0 Exceptions to this Policy**

The Treasurer may permit exceptions to this Policy. Such exceptions shall be reviewed to ensure activities remain relevant and appropriate with the intent of the Act, this Policy, and prudent investment standards.

## **10.0 Policy Review**

The Treasurer shall review this Policy at least once every year to ensure that it remains relevant and appropriate. The Treasurer reserves the right to amend this policy at any time and without prior notice.

## **Appendix A**

As of the date of approval of this Policy, the following firms have been retained and authorized:

Investment Advisor:	The RockCreek Group, LP
Outside Legal Counsel:	ArentFox Schiff, LLP
	Neal, Gerber, and Eisenberg, LLP

Subcontractors providing services valued at \$100,000 or more will be required to receive approval from the Treasurer's Chief Procurement Officer.