



Chicago Teachers' Pension Fund

DIVERSITY REPORT

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

*Mary Cavallaro, Interim Executive Director
Angela Miller-May, Chief Investment Officer*

October 2020

Commitment to Diversity

The Chicago Teachers' Pension Fund (CTPF) provides retirement benefits for a diverse population of approximately 30,091 active, 29,173 retired and 10,024 vested inactive Public School Teachers.

Since the early 1990s, CTPF has been at the forefront of pension and retirement systems throughout the United States ensuring that minorities, women, and persons with disabilities have access to the many opportunities to conduct business with CTPF. CTPF continues to encourage diversity and equality among our employees, vendors, and investment professionals.

On behalf of the CTPF Fund and our Board of Trustees, we present to the Illinois Special Committee on State and Pension Fund Investments our Diversity Report for 2020.

CTPF Board Of Trustees



Jeffery Blackwell
President



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Vice President



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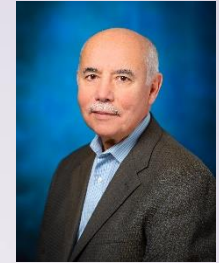
Jacquelyn Price Ward
Recording Secretary



James Cavallero



Gervaise Clay



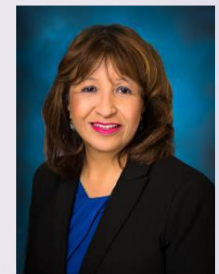
Miguel del Valle



Lois Nelson



Tina Padilla



Maria J. Rodriguez



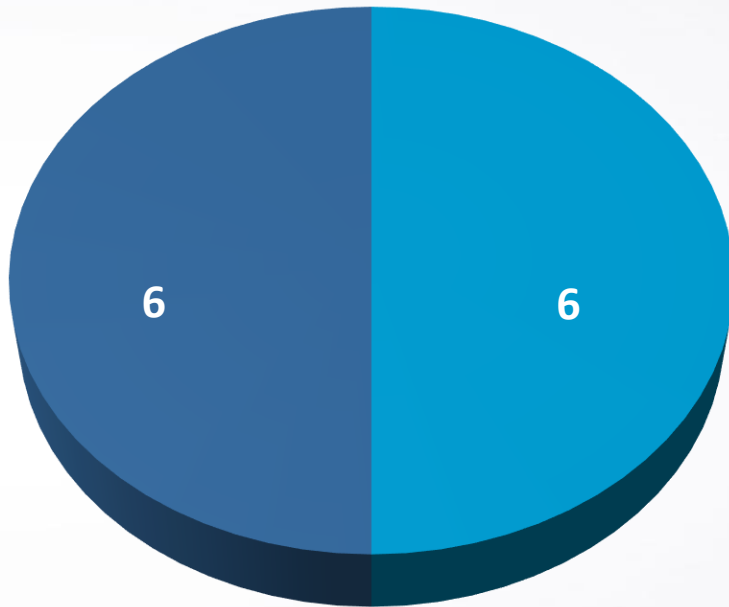
Dr. Jerry Travlos



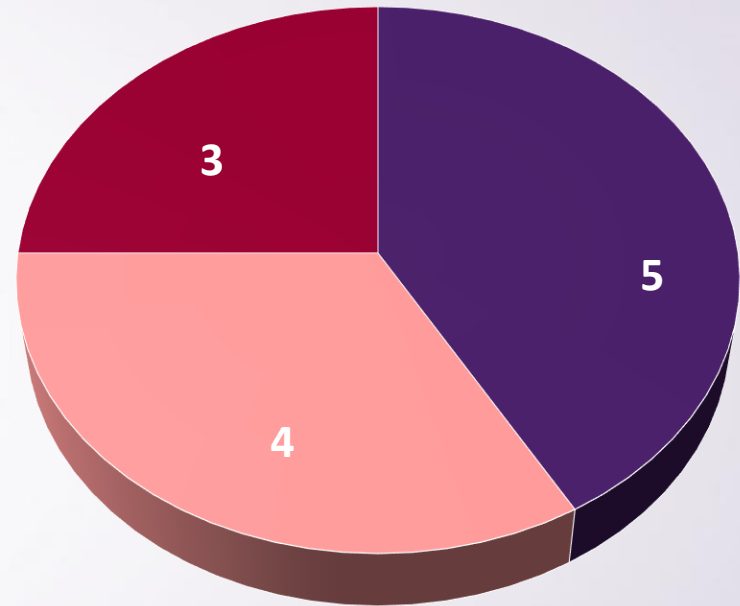
Dwayne Truss

As of 6/30/2020

Board of Trustees' Diversity



■ Women 50% ■ Men 50%



■ African-American 42%
■ Latino(a) 33%
■ Caucasian 25%

Percentages may not add up due to rounding

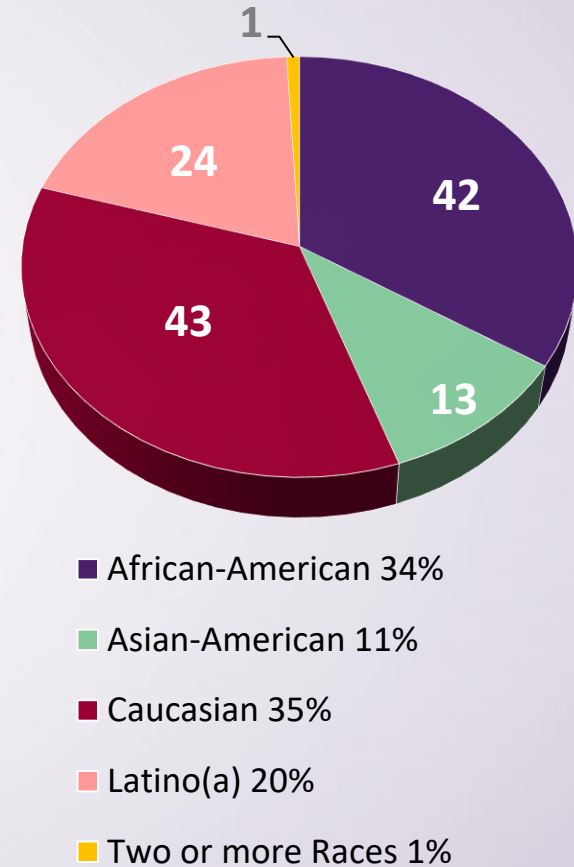
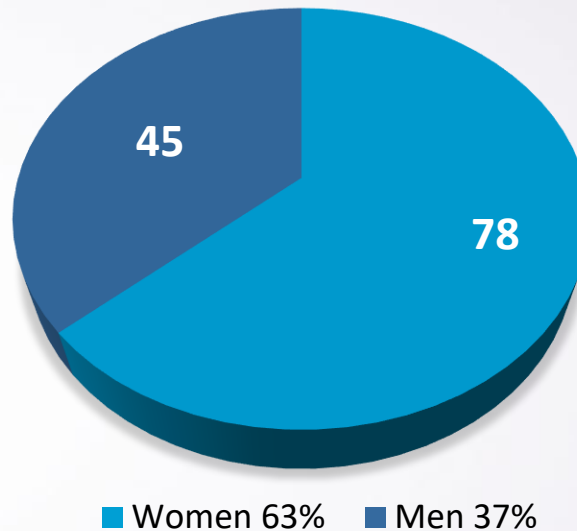
As of 6/30/2020

Diversity of the CTPF Fund Staff *(inclusive)*

The CTPF Staff had a total of 123 employees:

78 Women
45 Men

42 African-American
13 Asian-American
43 Caucasian
24 Latino(a)
1 Two or more Races



Full time & part time regular employees as of 6/30/2020

*Percentages may not add up due to rounding

CTPF Senior Management Diversity

The CTPF Senior Management Staff* had 11 employees:

9 Women

2 Men

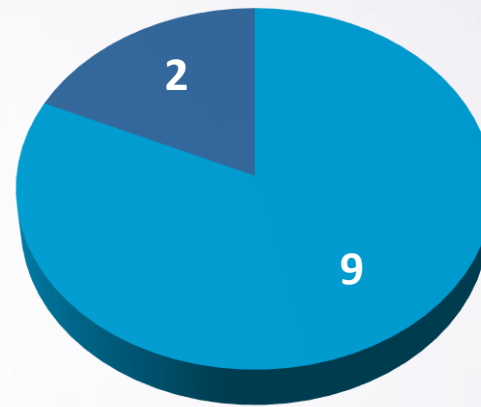
6 African-American

1 Asian-American

3 Caucasian

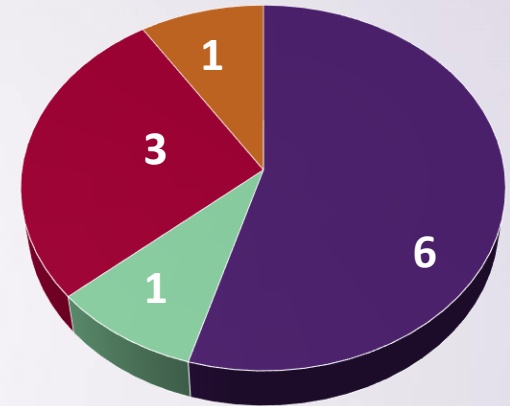
1 Two or more Races

Senior Staff



■ Women 82%

■ Men 18%



■ African-American 55%

■ Asian-American 9%

■ Caucasian 27%

■ Two or more Races 9%

*Percentages may not add up due to rounding

Diversity of CTPF Investment Staff

The CTPF Investment Management Staff had 10 employees:

6 Women

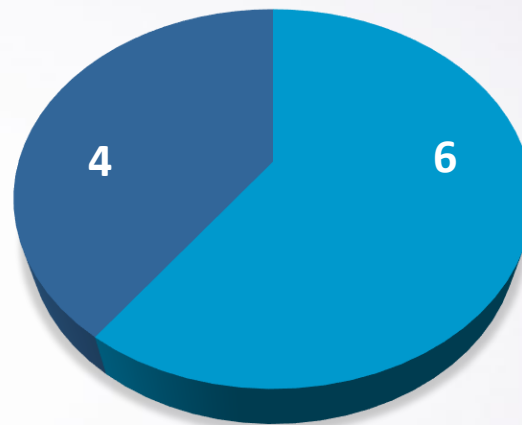
4 Men

3 African-American

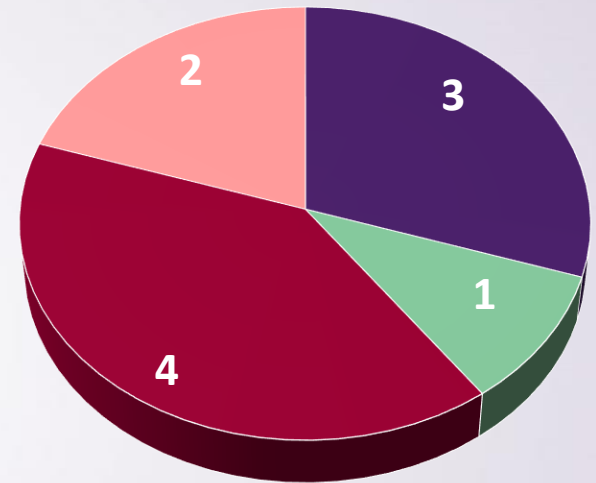
1 Asian

4 Caucasian

2 Latino(a)



■ Women 60% ■ Men 40%



■ African-American 30%
■ Asian 10%
■ Caucasian 40%
■ Latino(a) 20%

**Percentages may not add up due to rounding*

CTPF Investment Consultant Diversity

CTPF uses one investment consultant, Callan Associates LLC,

Callan Associates, LLC has a staff of 197 with an ethnic and gender make-up of:

- 5% of the employees are African-American
- 20% of the employees are Asian-American
- 5% of the employees are Latino(a)
- 25% of the employees are Non-Minority Women

The CTPF Callan team of 10 had an ethnic and gender make-up of:

- 10% of the employees are African-American
- 20% of the employees are Asian-American
- 10% of the employees are Latino(a)
- 50% of the employees are Non-Minority Women

Impact of Public Act 96-0006

Since Public Act 096-0006, CTPF has enhanced its MWDBE diversity goals:

- 20% of total Fund assets will be invested with MWDBE firms
- 25% of actively managed assets will be invested with MWDBE firms

Additionally

- **30% of all equity assets will be invested with MWDBE firms**
 - 25% invested with Minority-owned firms
 - 5% invested with Women-owned firms
 - Best efforts invested with Persons with Disabilities-owned firms
- **15% of all fixed income assets will be invested with MWDBE firms**
 - 12% invested with Minority-owned firms
 - 3% invested with Women-owned firms
 - Best efforts invested with Persons with Disabilities-owned firms
- **12% of all alternative assets will be invested with MWDBE firms**
 - 10% invested with Minority-owned firms
 - 2% invested with Women-owned firms
 - Best efforts invested with Disabilities-owned firms

Impact of Public Act 96-0006

continued

Trades are executed with CTPF approved MWDBE brokers.

Non-direct trading is not allowed to meet the Fund's goals.

CTPF Brokerage goals:

- **50%** of Domestic Equity trades: Active Large, All Cap, and MoMs
- **35%** of Domestic Equity trades: Active Small Cap and Passive
- **25%** of International Equity trades: Active Large, All Cap, MoMs, and Passive
- **5%** of International Equity trades: Active Small Cap
- **25%** of Fixed Income par Volume Traded: Active and Passive
- **10%** Active REIT Managers

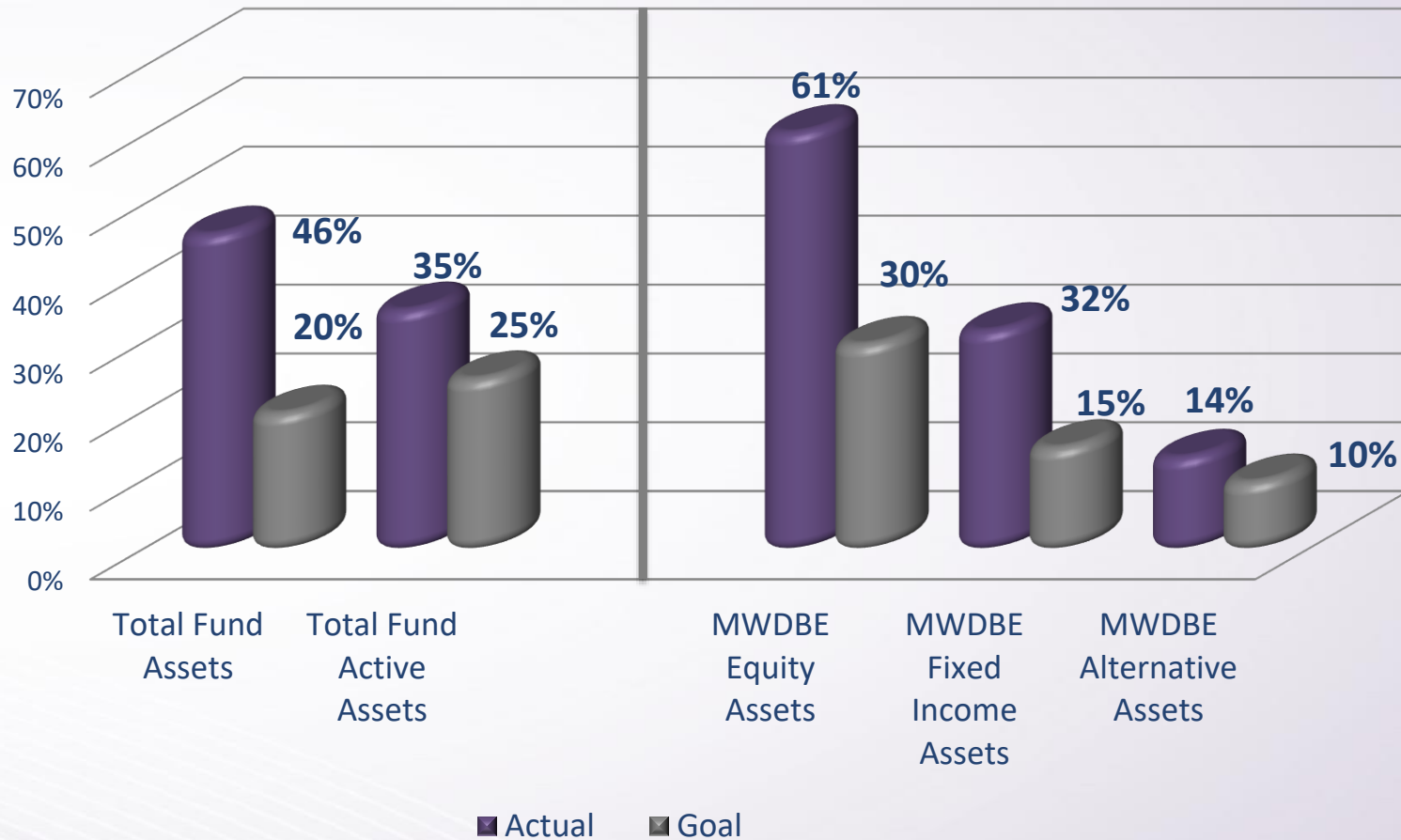
Investment managers of pooled investment portfolios are directed to use “best efforts” to execute trades with MWDBE Brokers.

Total MWDBE % Growth Since 1993

CTPF began investing with MWDBE firms in the early 1990s

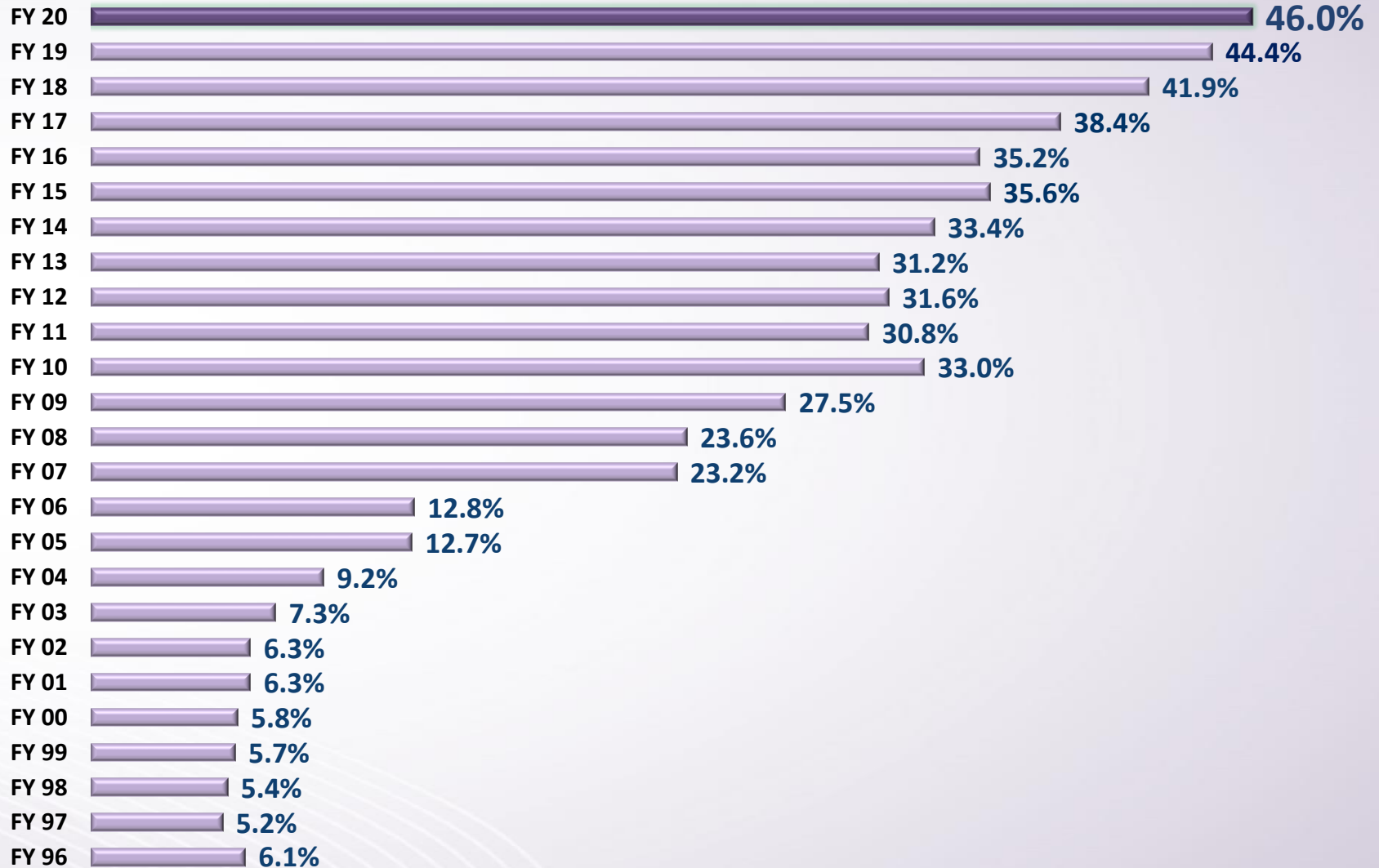
- Some of CTPF's earliest MWDBE dollars were invested with firms such as Ariel Investment (African-American), Zevenbergen (Women), Taplin, Canida & Habacht (Latino(a)), Attucks (African-American), and Progress (African-American).
- As of June 30, 2020, the Fund invested \$4.9B or 46% of total Fund assets with MWDBE firms.

MWDBE Target vs. Actual Allocation



As of 6/30/20

Total MWDBE % Growth Since 1995

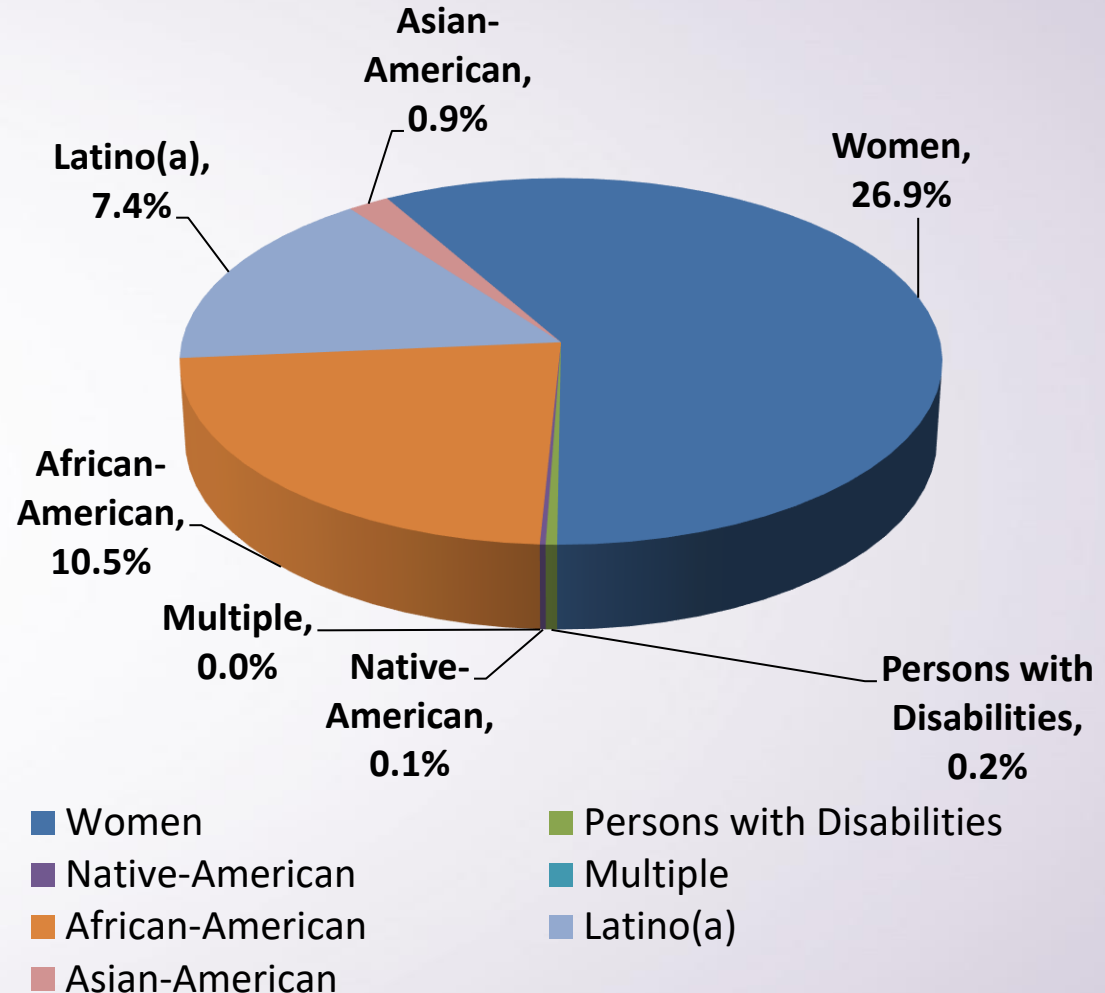


CTPF MWDBE Investments FY2020

- CTPF committed \$10 million to **Graham Allen Partners I**, African-American owned private equity firm
- CTPF committed \$10 million to **MB Global Partners II**, Woman owned private equity firm
- CTPF committed \$10 million to **Sidereal Capital Partners I**, African-American owned private equity firm
- CTPF committed \$10 million to **WM Partners LP II**, Latino(a) owned private equity firm
- CTPF committed \$30 million to **Longpoint Realty II**, Latino(a) owned real estate firm
- CTPF committed \$30 million to **Newport Capital III**, Persons with Disabilities owned firm

Breakdown of Total Fund by MWDBE Classification

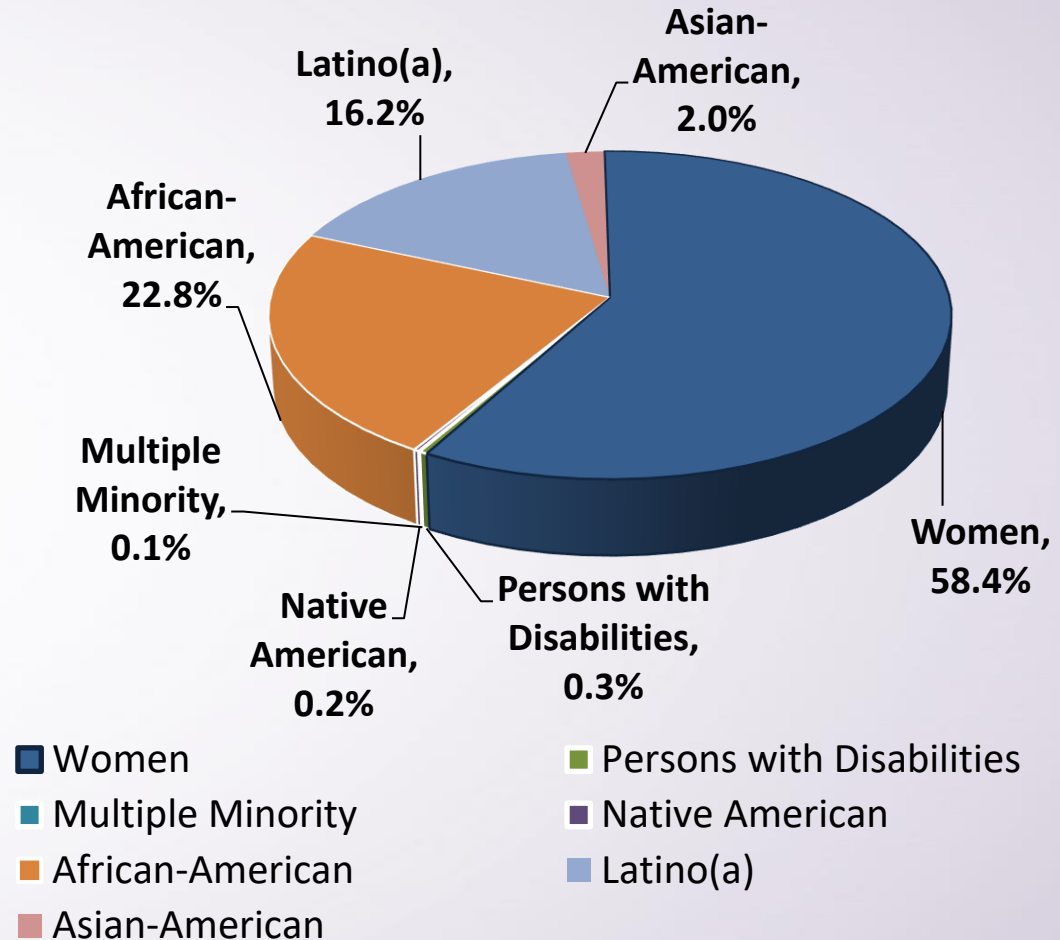
- **\$2.87B** was managed by Women-owned firms
- **\$1.12B** was managed by African-American owned firms
- **\$794.5M** was managed by Latino(a) owned firms
- **\$99.1M** was managed by Asian-American owned firms
- **\$16.4M** was managed by Persons with Disabilities-owned firms
- **\$10.1M** was managed by Native-American Firms
- **\$4.3M** was managed by Multiple Minority-owned firms



**Percentages may not add up due to rounding*

Breakdown of Total MWDBE by Classification

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- **\$4.3M** was managed by Multiple Minority-owned firms



NOTE: Majority owned Managers not included in above chart
 Percentages may not add up due to rounding

As of 06/30/2020

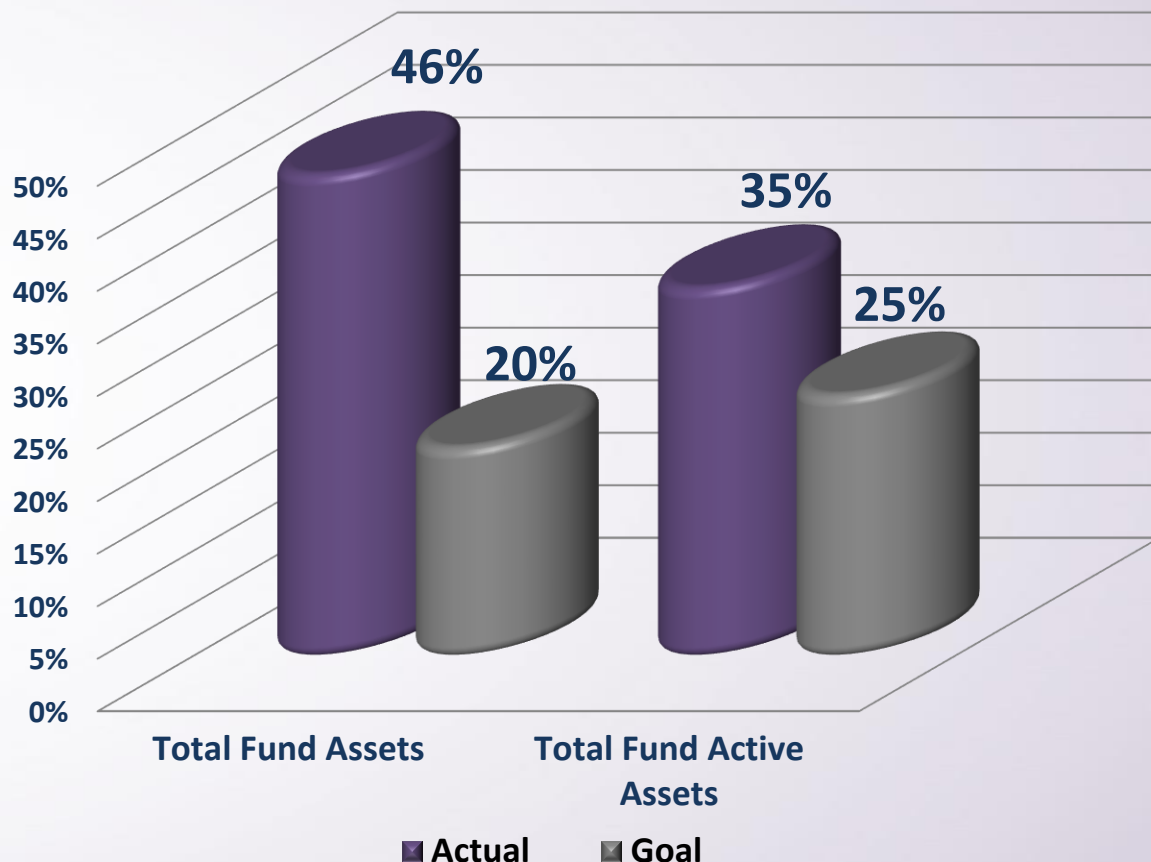
Total Fund MWDBE Assets

CTPF had \$4.9B of the Fund's *total assets* invested with MWDBE firms

- 46.0% of total Fund assets are managed by MWDBE firms

CTPF had \$2.69B of the Fund's *active assets* invested with MWDBE firms

- 35.2% of active Fund assets are managed by MWDBE firms

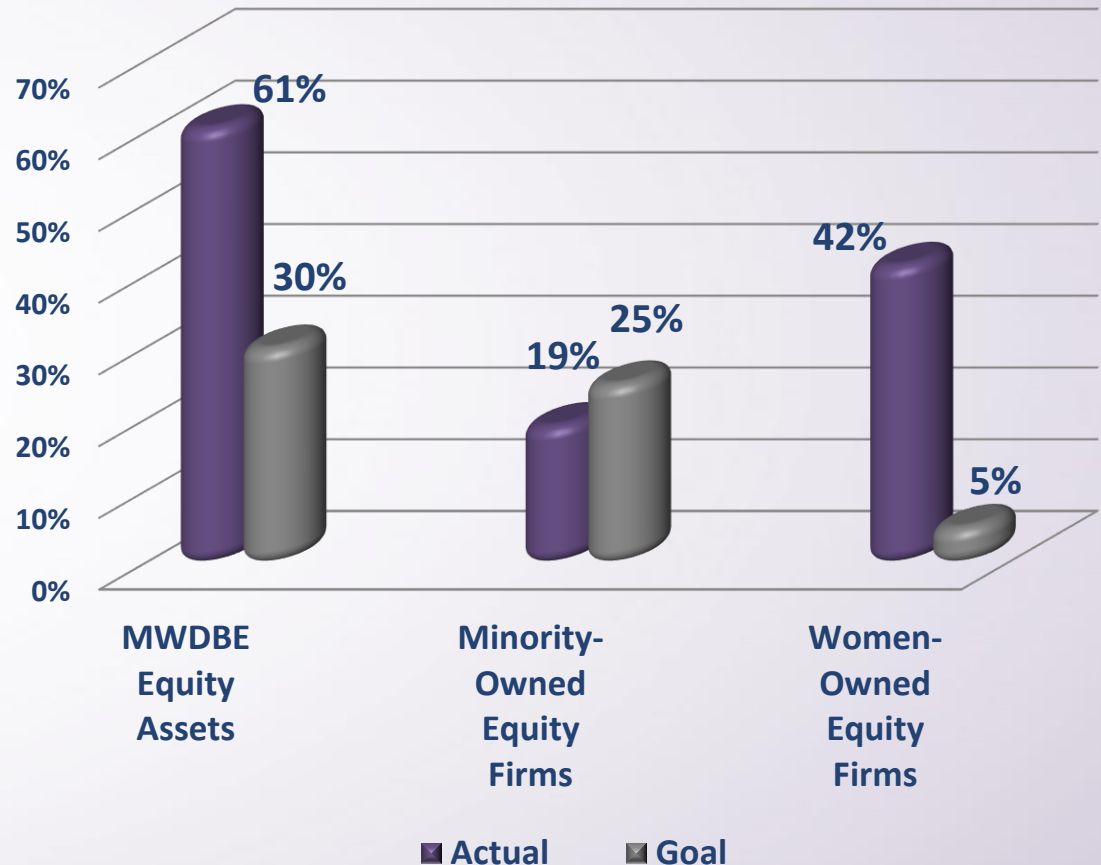


As of 06/30/2020

MWDBE Equity Managers

For Domestic and International Equity assets, CTPF had \$3.8B assets invested with MWDBE firms

- **60.7%** of all equity assets were managed by MWDBE firms
 - **19.2%** of these assets were managed by Minority-owned firms
 - **41.5%** of these assets were managed by Women-owned firms

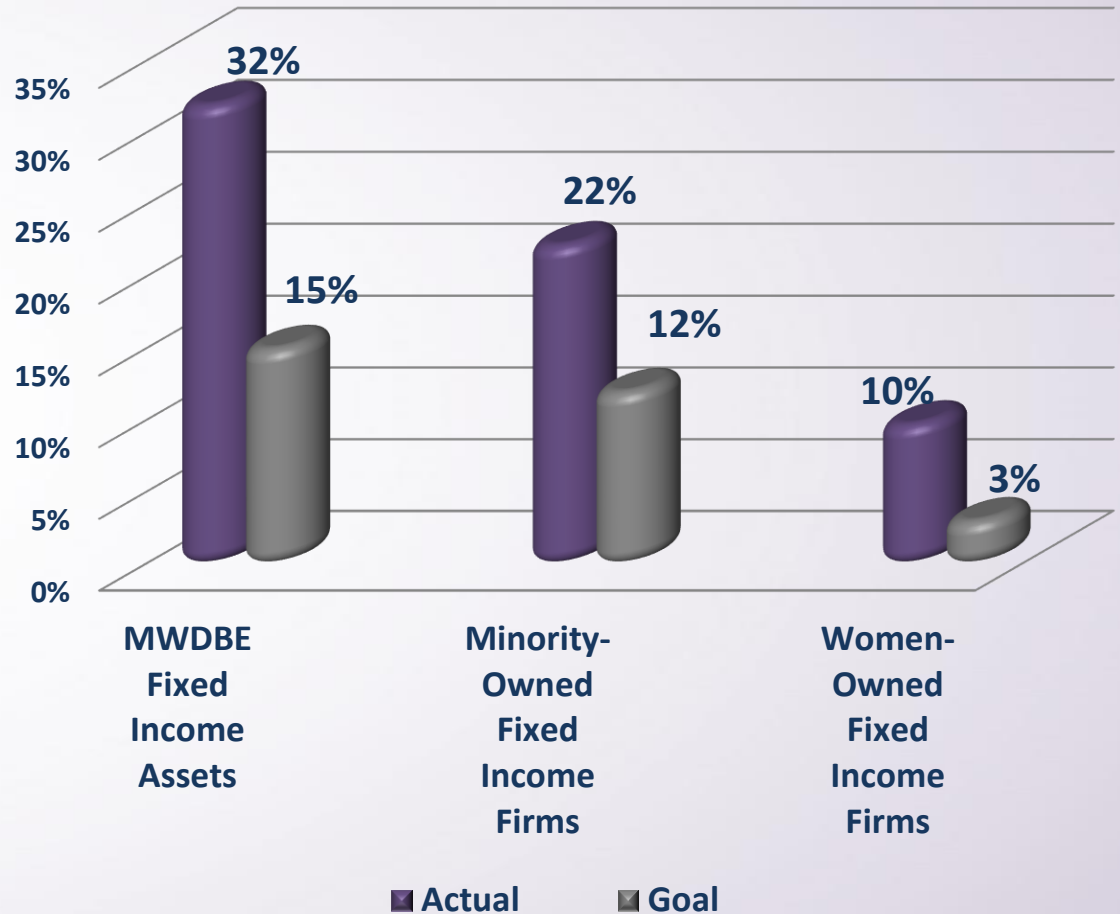


As of 6/30/2020

MWDBE Fixed Income Managers

For Fixed Income assets, CTPF had \$927.7M invested with MWDBE firms

- **32.0%** of all fixed income assets were managed by MWDBE firms
 - **22.2%** of these assets were managed by Minority-owned firms
 - **9.8%** of these assets were managed by Women-owned firms

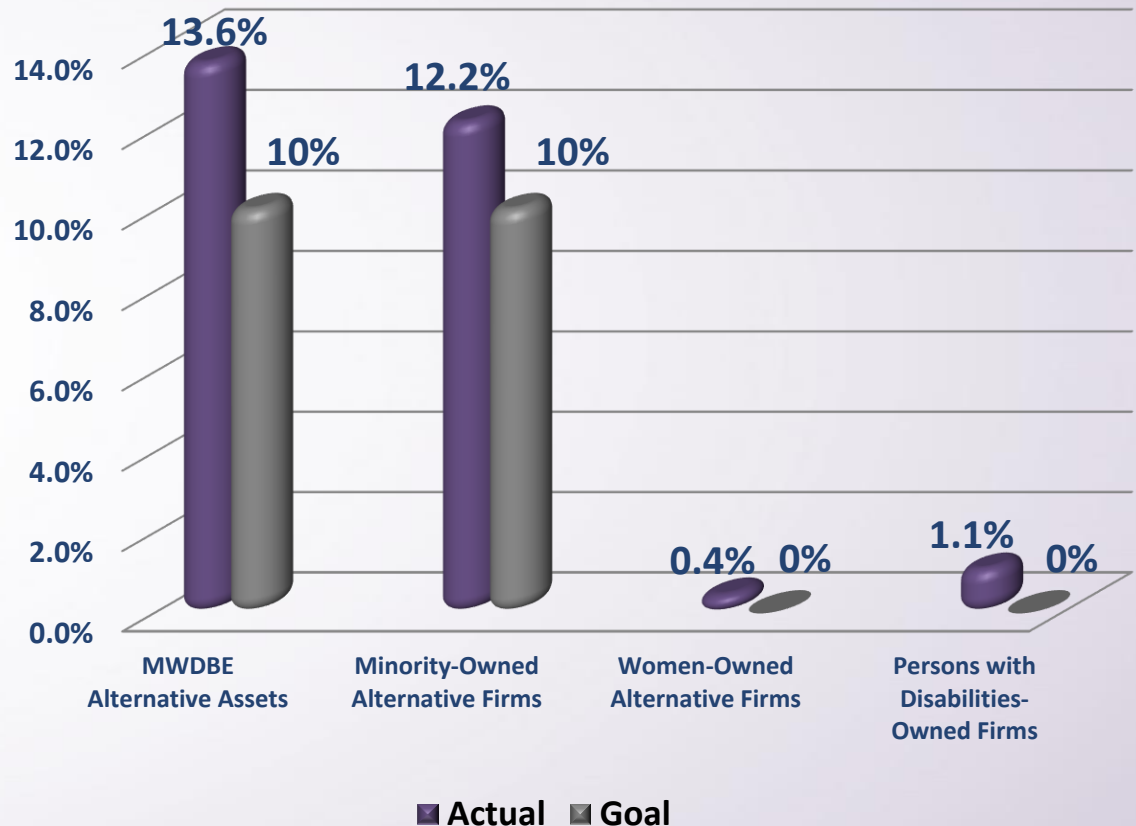


As of 6/30/2020

MWDBE Alternative Managers

For Alternative assets, CTPF had \$212.6M invested with MWDBE firms

- **13.6%** of all Alternative assets were managed by MWDBE firms
 - **12.2%** of these assets were managed by Minority-owned firms
 - **0.4%** of these assets were managed by Women-owned firms
 - **1.1%** of these assets were managed by Persons with a Disability-owned firms



As of 6/30/2020

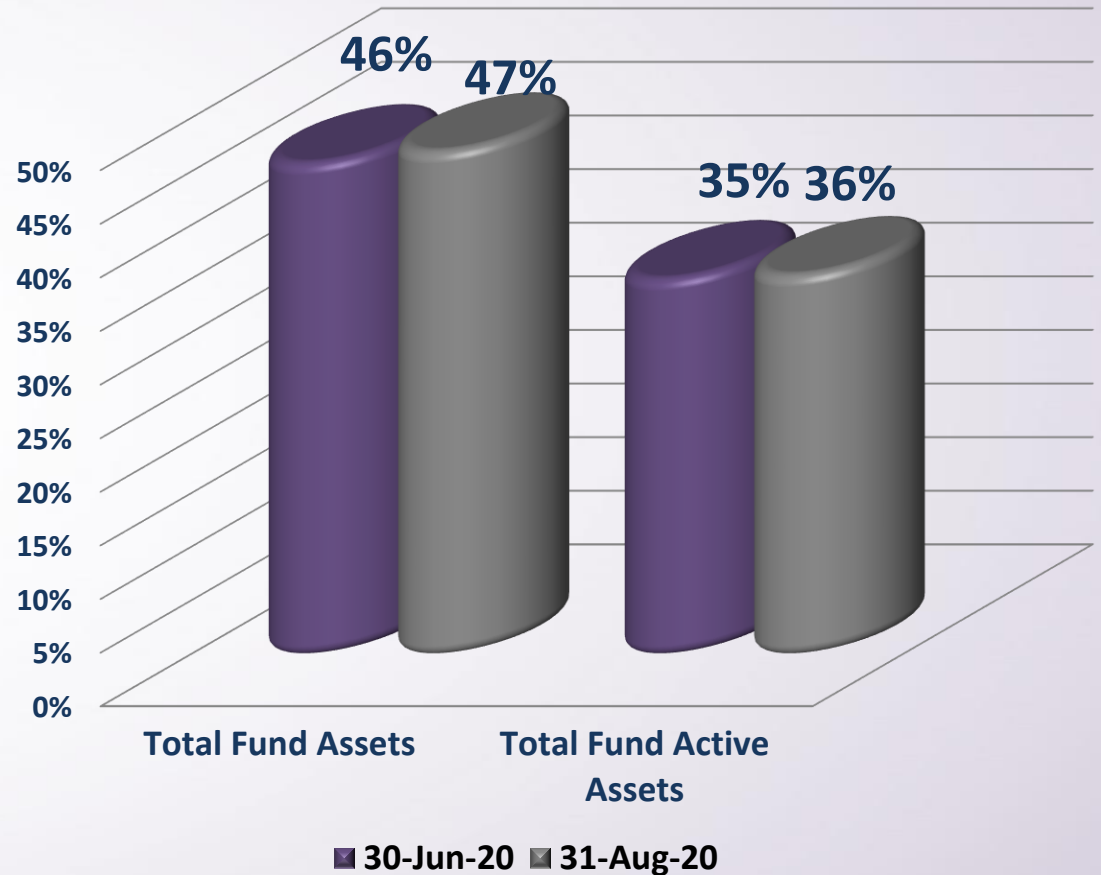
Total Fund MWDBE Status Progress

As of June 30, 2020, CTPF had \$4.9B of the Fund's *total assets* invested with MWDBE firms

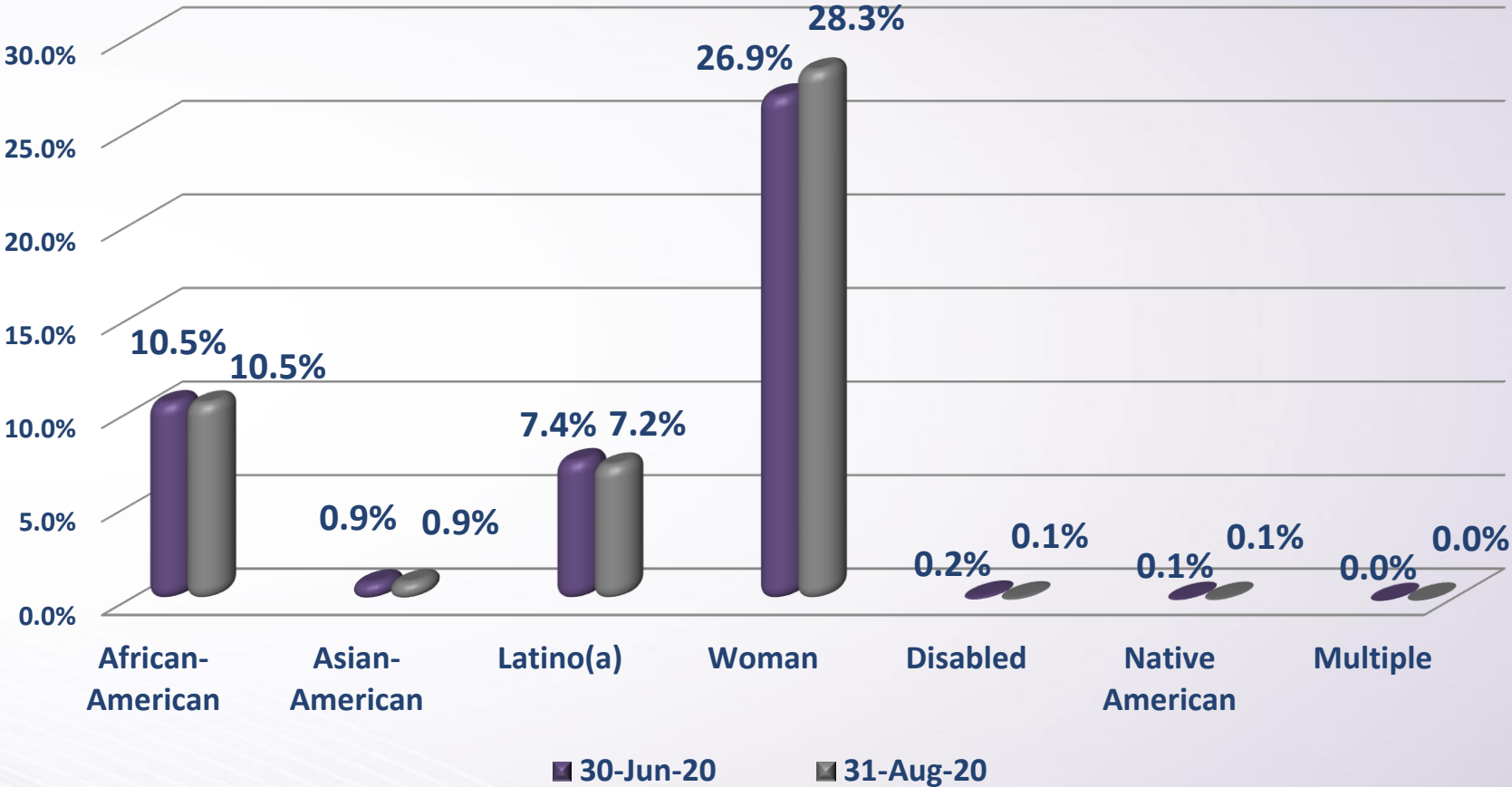
- 46.0% of total Fund assets are managed by MWDBE firms
- 35.2% of active Fund assets are managed by MWDBE firms

As of August 31, 2020, CTPF had \$5.4B of the Fund's *total assets* invested with MWDBE firms

- 47.1% of total Fund assets are managed by MWDBE firms
- 35.6% of active Fund assets are managed by MWDBE firms



Breakdown of Total Fund by MWDBE Classification Status Progress

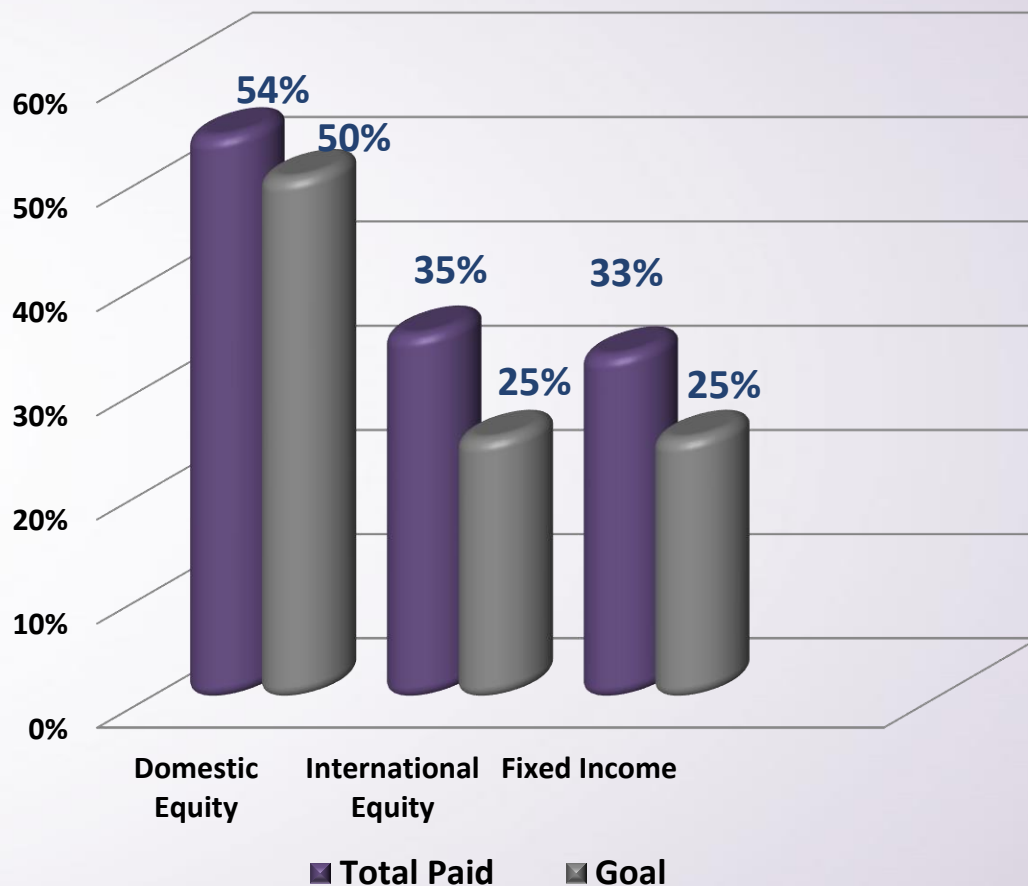


As of 8/31/2020

Brokerage Commissions for 2019

In calendar year 2019, the Fund paid over **\$1.8M** in Domestic Equity and International Equity commissions. **\$731K** was directed to MWDBE brokers.

In calendar year 2019, the Fund had **\$6.2B** in Fixed Income par volume traded and **\$2.1B** was directed to MWDBE brokerage firms.

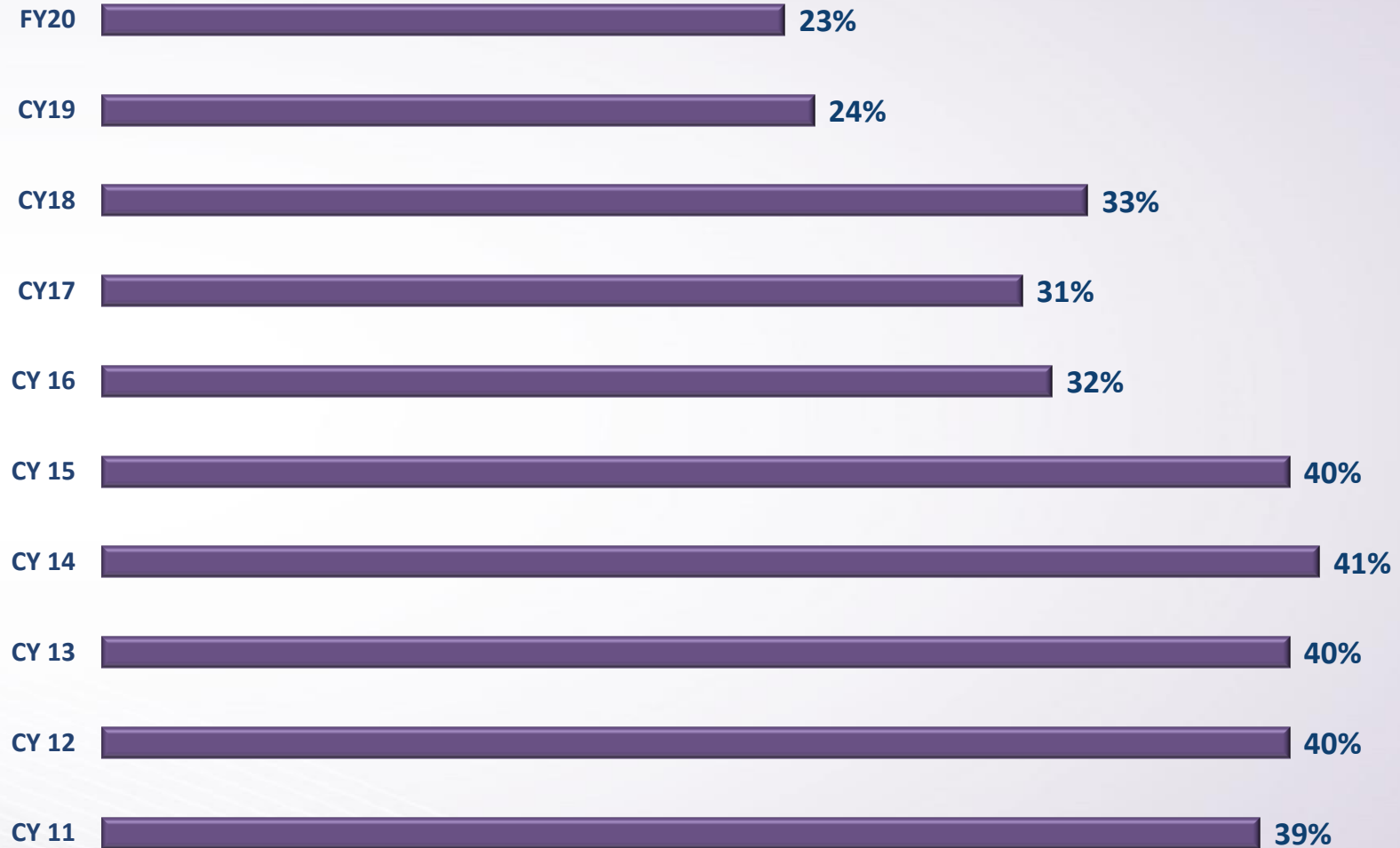


CTPF's MWDBE Brokerage Programs

CTPF maintains a list of approved MWDBE brokerage firms. To be an approved MWDBE broker with CTPF, the following qualifications must be met:

- Certification of Minority Business enterprise status
- Proof of Firm's National Association of Securities Dealers certification
- Proof that all head trading staff and employees with 5% or more ownership have a Series 7 license - U4 form
- Certificate of Good Standing from the State of Headquarter

CTPF Assets Managed By Illinois Headquartered Firms Since 2011 - % of Total



How we Invest in Emerging Managers

CTPF invests in MWDBE firms in four ways:

Direct Mandates

- Currently the Fund has direct relationships with **36** MWDBE firms, with **65** funds.

Fund of Funds (FoF)

- The Fund has one Real Estate (Majority-owned) and one Private Equity (African American-owned) manager in the Fund of Fund program.
- Through the FoF programs, the Fund has relationships with **6** MWDBE firms via **6** investment funds.

How we Invest in Emerging Managers

CTPF invests in MWDBE firms continued...

Manager of Managers (MoM)

- The Fund has one Domestic Equity (African American-owned) and one International Equity (Asian American-owned) manager in the Manager of Manager program.
- Through the MoM programs, the Fund has relationships with **21** MWDBE firms via **14** investment strategies.

Graduation Program

- Since the inception of the Fund's MoM programs, **8** firms have graduated to direct mandates with the Fund.

CTPF Outreach

CTPF's First Friday Meeting

- Occurs the first Friday of each month. Provides opportunities for Emerging and MWDBE manager firms to meet with CTPF's Investment Consultant, CTPF Trustees, CTPF Investment Staff, and CTPF's Executive Director to highlight their firm's products and accomplishments.

Manager of Managers (MoM) Programs

- Emerging managers have opportunities to manage CTPF assets. Due to their small size, these opportunities would not be available to them without the Manager of Managers programs.

Fund of Funds (FoF) Programs

- Emerging managers have opportunities to manage CTPF assets. Due to their small size, these opportunities would not be available to them without the Fund of Funds programs.

Organizations and Involvement

- Accelerate Investors (ACCEL)
- Association of Asian American Investment Managers (AAAIM)
- Institutional Limited Partners Association (ILPA)
- National Association of Investment Companies (NAIC)
- National Association of Security Professionals (NASP)
- New America Alliance (NAA)
- Pension Real Estate Association (PREA)
- Seizing Every Opportunity (SEO)
- Women in Real Estate (WIRE)
- Women Investment Professionals (WIP)

CTPF Outreach

continued

Conferences

- Accelerate Investors (ACCEL)
- Association of Asian American Investment Managers (AAAIM)
- Educating the Next Generation of Allocators on the Growth of Emerging and Diverse Managers (ENGAGE)
- Emerging Manager Conferences (Opal, IMN)
- National Association of Investment Companies (NAIC)
- National Association of Securities Professionals (NASP)
- New American Alliance (NAA)
- Real Estate Emerging Manager Summit (REEM)
- Seizing Every Opportunity Conference (SEO)
- Texas TRS & ERS Diversity Conference (TRS)

CTPF Outreach

continued

Publications

- Crain's Chicago Business
- Emerging Manager Monthly
- Financial Times
- Fund Fire
- IREI Infrastructure
- Mandate Wire
- PEI Media (PERE News)
- Pensions & Investments
- Wall Street Journal



Chicago Teachers' Pension Fund

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www.ctpf.org



@Chicago Teachers Pension Fund

Mission Statement

To provide, protect, and enhance the present and future economic well being of members, pensioners, and beneficiaries through efficient and effective management of benefit programs, investment practices, and customer service, and to commit to earning and keeping the respect and trust of the participants through quality service and by protecting retirement benefits, in compliance with applicable laws and standards.

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.