

**Testimony of Angela Miller-May, Chief Investment Officer of the
Chicago Teachers' Pension Fund**

“Diverse Asset Managers: Challenges, Solutions and Opportunities for Inclusion”

Subcommittee on Diversity and Inclusion

Committee on Financial Services

U.S. House of Representatives

June 25, 2019

Chairwoman Beatty, Chairwoman Waters, Ranking Member McHenry and Members of the Subcommittee:

I am honored to be here today and I thank you for the opportunity to testify about the importance of diversity and inclusion within the asset management industry.

My name is Angela Miller-May and I am the Chief Investment Officer for the Chicago Teachers' Pension Fund. I joined the CTPF in 2010 and I have acted in several progressively responsible positions at Chicago Teachers' before being promoted to CIO. Before I began my testimony, I would like to recognize the Board of Trustee President, Mr. Jeffery Blackwell, the remaining Trustees and the Executive Director, Mr. Charles A. Burbridge who support and drive the Diversity and Inclusion goals and the culture of Chicago Teachers' Pension Fund.

Chicago Teachers' Pension Fund was established by the Illinois State Legislature on July 1, 1895 for the purpose of establishing a fund to be used to pension school teachers. It gave the teachers of Chicago permission to establish a self-funded pension system that provides retirement, survivor, and disability benefits for Chicago Public School teachers and employee. CTPF services a membership base

of over 66,000 members. Our culture is built around putting our members first. It is important to our members that we demonstrate diversity by hiring asset managers, brokers and vendors that reflect the diversity of the membership.

In my testimony, I will demonstrate how Chicago Teachers' Pension Fund embraces Diversity and Inclusion and I will focus on just a few considerations related to the benefits of diversity and inclusion. I will also touch on some of the challenges that I believe to be roadblocks on this journey to a more inclusive asset management industry and the solutions that I feel will propel us forward.

Chicago Teachers' Pension Fund

Chicago Teachers' Pension Fund is a \$10.8 billion Fund and since the early 1990s, CTPF remains at the forefront of pension and retirement systems throughout the United States, ensuring the investment firms owned by Minorities, Women, and Persons with Disabilities have access to the many opportunities to conduct business with CTPF. In addition, the Fund encourages diversity and equality among its employees, vendors and investment professionals.

Our approach to investing with Diverse Asset Managers has evolved over the last 20 years. Per Illinois Pension Code, an aspirational goal of not less than 20% of investment advisors shall be minorities, women and persons with disabilities. We have far exceeded that goal by investing **44% or \$4.6 billion** of total assets with minority, women and persons with disabilities owned firms as of 3/31/19.

Of the **44% | or (\$4.6B)**:

- **58.2% or \$2.69B is invested with Women-Owned firms**
- **25.3% or \$1.17B is invested with African-American Owned firms**
- **12.0% or \$555.6M is invested with Latino Owned firms**
- **3.3% or \$151.0M is invested with Asian-American Owned firms**
- **.6% or \$25.9M is invested with Persons with Disability Owned firms**
- **.3% or \$9.7M is invested with Multiple Minority Owned firms**

Of the **CTPF's Total Assets (\$10.8B)**:

- **25.4% or \$2.69B is invested with Women-Owned firms**
- **11.0% or \$1.17B is invested with African-American Owned firms**

- **5.2% or \$555.6M is invested with Latino Owned firms**
- **1.4% or \$151.0M is invested with Asian-American Owned firms**
- **.2% or \$25.9M is invested with Persons with Disability Owned firms**
- **.1% or \$9.7M is invested with Multiple Minority Owned firms**

From an asset class standpoint, CTPF has exceeded its Diversity Policy goals in the Equities, Fixed Income and Alternative spaces.

- **With a Goal of 30% of all Equity Assets being invested with MWDBE firms, CTPF invest 58% with MWDBE firms.**
 - CTPF Exceeded the 5% goal in Women owned firms with 38%
 - But Fail short of the 25% goal in Minority owned firms with 20%
- **With a Goal of 15% of all Fixed Income assets being invested with MWDBE firms, CTPF invest 25% with MWDBE firms.**
 - Exceeding the 3% goal in Women owned firms with 8%
 - Exceeding the 12% goal in Minority owned firms with 17%
- **With a Goal of 10% of all Alternative assets being invested with MWDBE firms, CTPF invest 11% with MWDBE firms.**
 - By investing 2% in Disabled owned firms | No goal
 - By investing 1% in Women owned firms | No goal
 - By investing 8% in Minority owned firms with a goal of 10%

On the Brokerage Utilization front, CTPF expects all of its public equities and fixed income managers to comply with its MWDBE Brokerage Utilization Policy, subject to best execution.

Our policies are simply guidelines that establish minimum targets and identify areas of opportunity to extend our reach. It points to the importance of tracking the utilization of diverse asset investment firms.

Benefits of Diversity and Inclusion

Chicago Teacher's Pension Fund's philosophy on diversity and inclusion centers on a few beliefs that we think are important for success.

- Diversity and Inclusion yield positive outcomes and those who support it will benefit.
- Every stakeholder has a role to play in advancing diversity and inclusion. We are all responsible for our behavior, practices and policies. If you want to be inclusive, you can be inclusive.
- It is a part of your fiduciary duty to invest the Fund's assets in a prudent manner and investing with diverse asset managers that demonstrate outperformance and deliver strong returns is more than prudent; it is wise.

Diverse managers perform the same if not better than non- diverse managers. They are a key source of diversification as they complement large managers that seek larger assets and deals. There is room for all.

Having diverse managers in your portfolio brings diverse thoughts, improved decision making and solutions in a current market environment that is challenged by macroeconomic events, increased valuations, volatility and competition surrounding assets and deals.

With an actuarial rate of return of 7.00%, Chicago Teachers' maintains long term outperformance of policy benchmarks with an 8.66% gross return for the 35 year period and 8.16% gross return for the 25 year period. CTPF's existing diverse managers have been a positive contributor to this long term performance.

We hire diverse managers that demonstrate the ability to generate upper quartile performance, that have differentiated teams with competitive advantages and that can act nimbly and diversify our total portfolio.

There are unique opportunities for strong performance and structural alpha. Many diverse managers have strong pedigrees and attractive track records from established firms. They are open to unique structures and preferred terms. For investors, it is an opportunity to build early relationships with strong managers. It is a large untapped universe.

As a prudent investor, it does not make sense to not take advantage of the unique opportunity that investing with diverse managers present. As an underfunded

pension fund, we simply cannot afford to forego investing with diverse managers that represent a pool of keenly talented and innovative asset managers.

Challenges Faced by Allocators and Diverse Managers

We have all seen the research. From the 2017 Government Accountability Office Report, less than 1% (or \$700 billion) of the \$70 trillion assets managed by asset management firms were managed by Minority or Women owned asset managers.

Just looking at alternative asset managers inclusive of hedge funds, infrastructure, private equity and real estate, diverse managers continue to represent a material subset with approximately 852 funds and \$160 billion of assets managed.

Diverse managers' exhibit strong returns, but they are dramatically underrepresented in every asset class. They face many challenges such as:

Investor and consultant brand bias – many institutional investors prefer to contract with larger asset managers with brand recognition or with whom they are familiar.

Perception of weaker performance – there is a perception that diverse firms do not perform as well as non-Diverse firms. However, there are many studies that find no difference in the performance of funds managed by diverse firms and the performance of those managed by non-Diverse firms.

Across Mutual Funds, Hedge Funds and Private Equity, the evidence suggests that the performance of funds managed by diverse-owned firms is statistically no different than the performance of those managed by non-diverse firms.

Size and Infrastructure – the size and limited infrastructure of smaller, newer diverse firms also may pose challenges.

Industry Trends – the market place trends can pose challenges.

It is my belief that beyond the challenges mentioned above that exposure is a key problem and it needs to be addressed before there will be true equality and inclusion.

The pipeline of minority and women candidates are tomorrow's pipeline of diverse investment asset managers. Many diverse firms are spin outs of larger majority owned firms where they receive their training and track records of investing.

We also need to increase the percentage of Minorities and Women candidates; the percentage of Minorities and Women in leadership positions; and the percentage of Minorities and Women on Boards.

I believe that this is how we can begin to impact change today for improved diversity tomorrow. This is where the opportunity and challenges exist.

Solutions to Increase Diversity

Key practices that Chicago Teachers' Pension Fund has used to increase opportunities for diverse managers include the following:

- We have secured the commitment of our legislators, trustees, senior management and have made diversity and inclusion a part of our culture.
- We have removed barriers by drafting our request for proposals with open and inclusive language, by ensuring that qualified diverse managers will be included as finalist in our manager searches, by being a trustee and staff-led fund and by driving our consultants and not turning over the wheel to our external parties.
- By implementing policies and systematically making it the responsibility of every CTPF investment professional and every CTPF employee to be inclusive and encourage diversity.
- By tracking our performance in reference to our policy goals to identify areas where improvement is needed and by tracking the performance of diverse managers.
- By establishing a process of outreach by having an open door policy, by engaging with organizations that promote diversity and inclusion such as the National Association of Security Professionals (NASP), New America

Alliance (NAA), National Association of Investment Companies (NAIC), Accelerate Investors, Institutional Limited Partner Association (ILPA) to name a few and by doing the work and making the effort to identify qualified diverse managers and build relationships.

Opportunities for Increased Diversity and Inclusion

Investors have the greatest power to effect change in the asset management industry. When those that allocate capital start to pose questions about diversity and inclusion, changes will start to happen. When legislators and boards start to challenge the industry, increasing diversity and inclusion will gain momentum.

The notion that diversity improves performance in the C-Suite or in the corporate boardroom has permeated our industry and many public pension plans like CTPF are pressuring corporations to increase the diversity of their leadership because they believe it generates greater alpha.

The same rings true for investing. When diverse professionals come together and bring the fullness of their individual experiences, their expertise, their unique perspectives and ways of evaluating opportunity, it leads to enhanced outcomes.

There's a study by Stanford professor Margaret Neale that showed that when people of similar demographics were added to a team, the satisfaction of the team was at its highest, but those teams were the worst performing on group problem solving tasks.

People, who come from same backgrounds and have shared stories, don't challenge norms, they don't challenge "the way things are done", and they tend to agree on how things should be done. Bringing together diversity in background, experience, gender, perspective, by their very definition, breeds creativity and innovation. That creativity, that innovation is what fuels the outperformance that diverse managers deliver.

Slowly but surely Investors are becoming increasingly friendlier to the notion of including diverse management in their strategies. Twenty-six states now either have legislated commitments to emerging and/or diverse investment managers, or have key entities with independent commitments.

The number of diverse funds that have had outstanding performance has increased dramatically in the last 10 years. Further since 2014, over 17 diverse owned private equity firms have raised over 24 oversubscribed funds, so there is tremendous momentum to capitalize on diversity and inclusion.

Fortunately, in the state of Illinois, we have legislators who not only support Diversity and Inclusion, but hold allocators accountable and encourage investors to improve our utilization of diverse firms.

In the Illinois Pension Code (40 ILCS 5/1-109.1), “it is declared to be the public policy of the State of Illinois to encourage the 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”.

I would love to see this Subcommittee on Diversity and Inclusion adopt similar language that could have a meaningful impact on furthering the work to have a more diverse and inclusive investment asset industry.

While we can take baby steps, Congress can move the needle and create opportunity for diverse managers on a much larger scale.

If only, to have you listen to my testimony, I hope that I have played some small part in expressing the importance of Diversity and Inclusion and encouraging this Subcommittee on Diversity and Inclusion to continue to gather knowledge and best practices in order to solve for the lack of diversity in the asset management industry.

2019

DIVERSITY REPORT

*Presented to the Subcommittee on Diversity
and Inclusion for the U.S. House Financial
Services Committee*

June 25, 2019

Charles A. Burbridge, *Executive Director*
Mary Cavallaro, *Deputy Executive Director*
Angela Miller-May, *Chief Investment Officer*



**Chicago Teachers'
Pension Fund**

Commitment to Diversity

The Chicago Teachers’ Pension Fund (CTPF) provides retirement benefits for a diverse population of approximately 28,958 active, 28,549 retired and 9,398 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, I present this Diversity Report to the Subcommittee on Diversity and Inclusion for the U.S. House Financial Services Committee.

CTPF Board Of Trustees



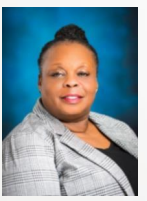
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As of 12/31/2018

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
- **10% of all alternative assets will be invested with MWDBE firms**
 - 10% invested with Minority-owned firms
 - Best efforts invested with Women and Persons with Disabilities-owned firms

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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.

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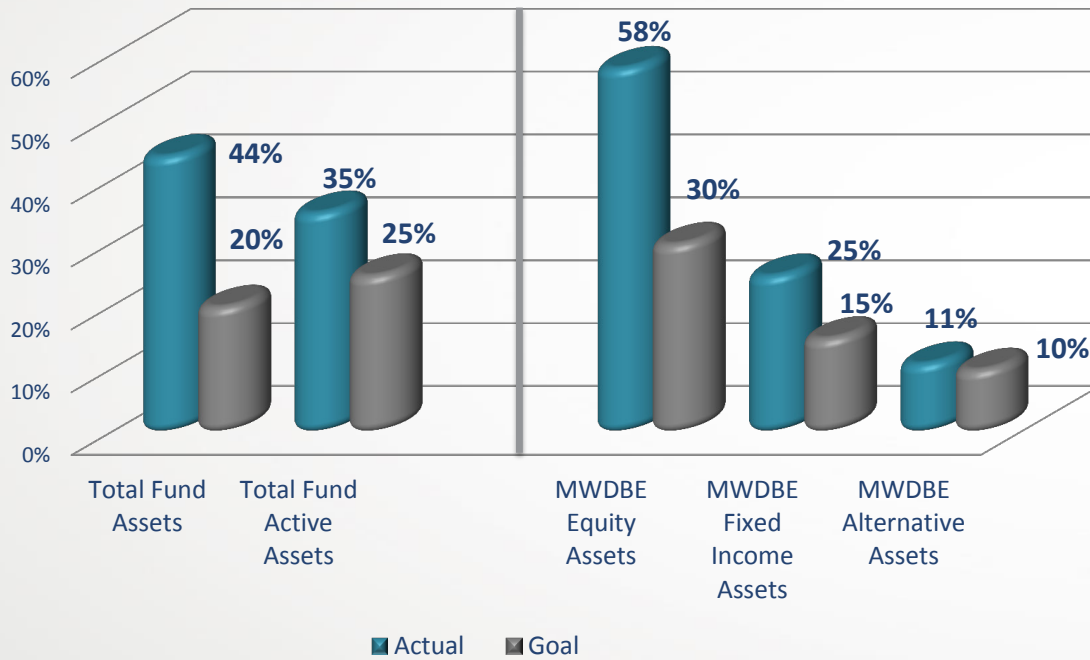
Total MWDBE % Growth Since 1993

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, 2018, the Fund invested \$4.5B or 42% of total Fund assets with MWDBE firms.
- As of March 31, 2019, the Fund invested \$4.6B or 44% of total Fund assets with MWDBE firms.
- As of March 31, 2019, the Fund invested \$2.5B of 35% of all active Fund assets with MWDBE firms.

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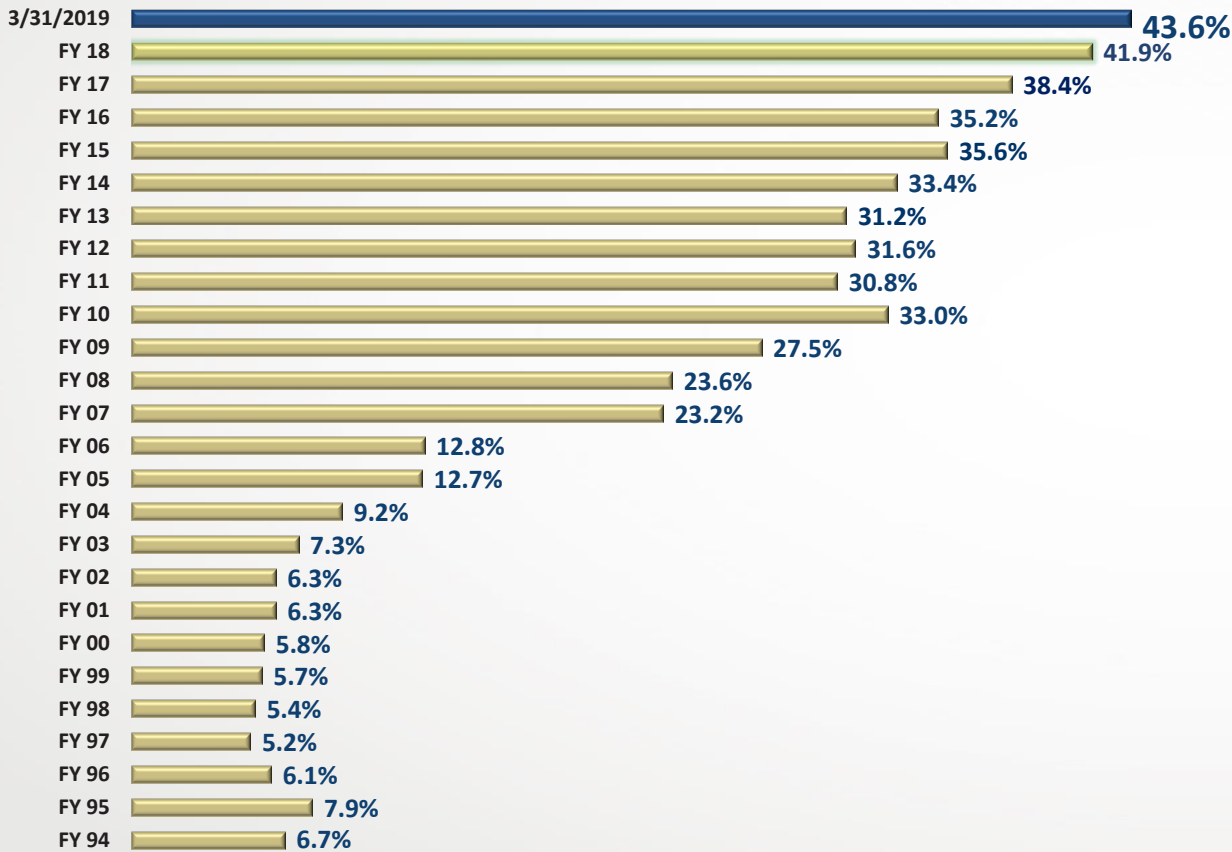
MWDBE Target vs. Actual Allocation



As of 3/31/2019

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Total MWDBE % Growth Since 1993



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CTPF MWDBE Investments 2018-2019

- CTPF committed \$30 million to **Basis Investment Group**, African-American owned real estate firm
- CTPF committed \$20 million to **Longpoint Realty Group**, Asian-American owned real estate firm
- CTPF committed \$10 million to **Turning Rock Partners**, Women-owned private equity firm
- CTPF committed \$12.5 million to **Farol Asset Management**, African-American owned private equity firm
- CTPF committed \$12.5 million to **Astra Capital Partners**, African-American owned private equity firm
- CTPF reallocated \$20 million to **ICV Partners**, African-American owned private equity firm
- CTPF reallocated \$20 million to **Palladium Equity Partners**, Latino(a) owned private equity firm

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CTPF MWDBE Investments 2018-2019

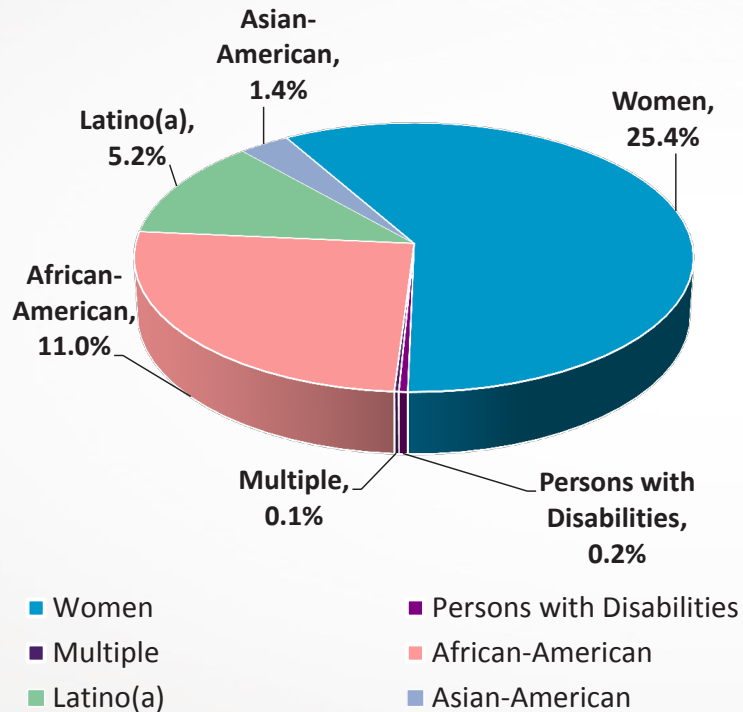
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- CTPF committed \$10 million to **AUA Private Equity**, Latino(a) owned private equity firm
- CTPF committed \$10 million to **Estancia Capital Partners**, Latino(a) owned private equity firm
- CTPF committed \$10 million to **P4G Capital Partners**, Women-owned private equity firm
- CTPF committed \$10 million to **PiPV Capital**, African-American owned private equity firm
- CTPF committed \$35 million to **Long Wharf Real Estate**, Latino(a) owned real estate firm
- CTPF committed \$20 million to **Oak Street Seeding Real Estate**, Latino(a) owned real estate firm

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Total Fund Breakdown by MWDBE Status

- **\$2.69B** was managed by Women-owned firms
- **\$1.17B** was managed by African-American owned firms
- **\$555.6M** was managed by Latino(a) owned firms
- **\$151.0M** was managed by Asian-American owned firms
- **\$25.9M** was managed by Persons with Disabilities-owned firms
- **\$9.7M** was managed by Multiple Minority-owned firms



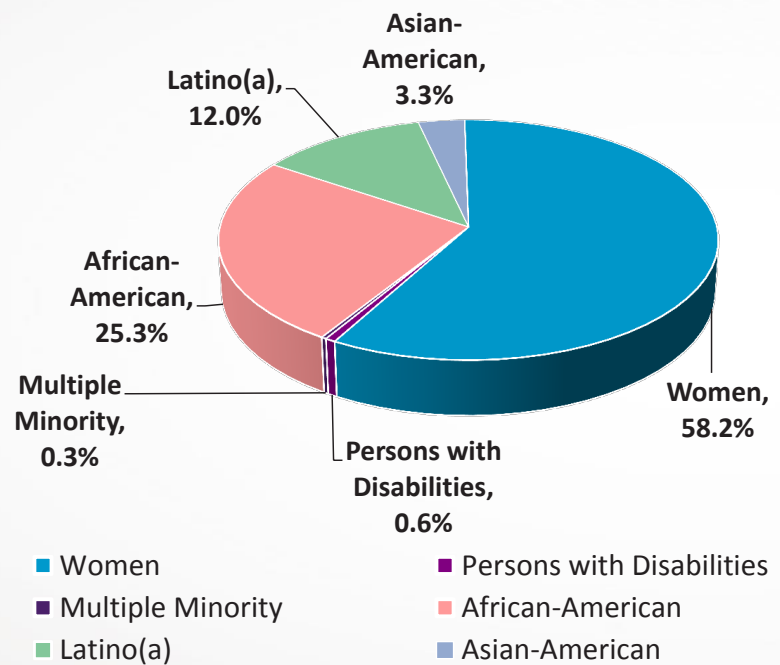
As of 3/31/2019

Percentages may not add up due to rounding

NOTES

MWDBE Breakdown by Classification

- **\$2.69B** was managed by Women-owned firms
- **\$1.17B** was managed by African-American owned firms
- **\$555.6M** was managed by Latino(a) owned firms
- **\$151.0M** was managed by Asian-American owned firms
- **\$25.9M** was managed by Persons with Disabilities-owned firms
- **\$9.7M** was managed by Multiple Minority-owned firms



As of 03/31/2019

Percentages may not add up due to rounding

NOTE: Breakdown of 44% MWDBE included in above chart

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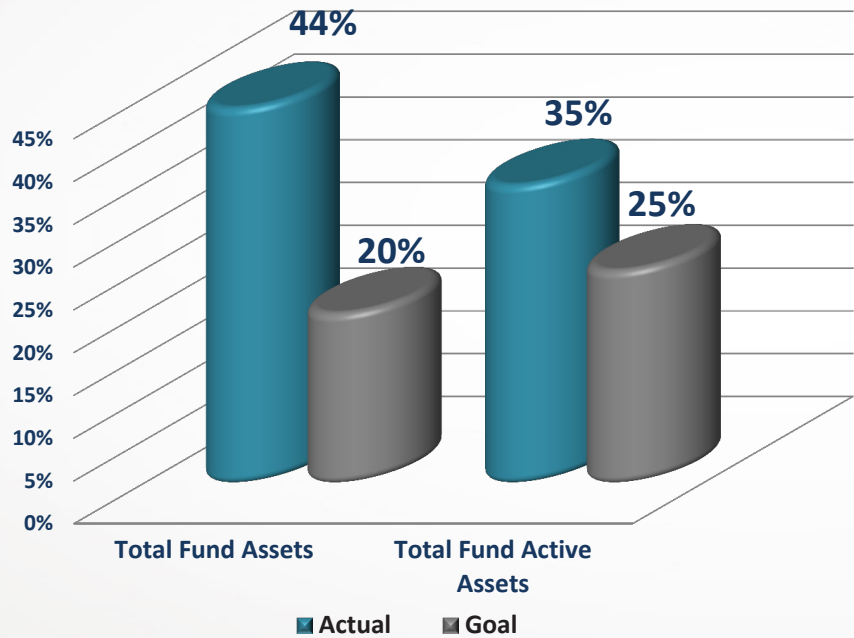
Total Fund MWDBE Assets

CTPF had \$4.6B of the Fund's *total assets* invested with MWDBE firms

- 44% of total Fund assets are managed by MWDBE firms

CTPF had \$2.5B of the Fund's *active assets* invested with MWDBE firms

- 35% of active Fund assets are managed by MWDBE firms



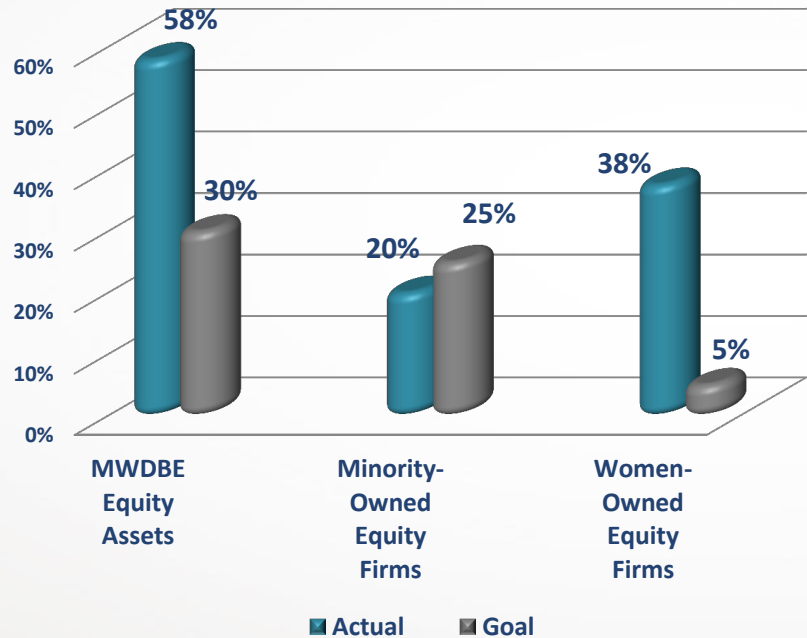
As of 03/31/2019

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MWDBE Equity Managers

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

- **58%** of all equity assets were managed by MWDBE firms
 - **20%** of these assets were managed by Minority-owned firms
 - **38%** of these assets were managed by Women-owned firms



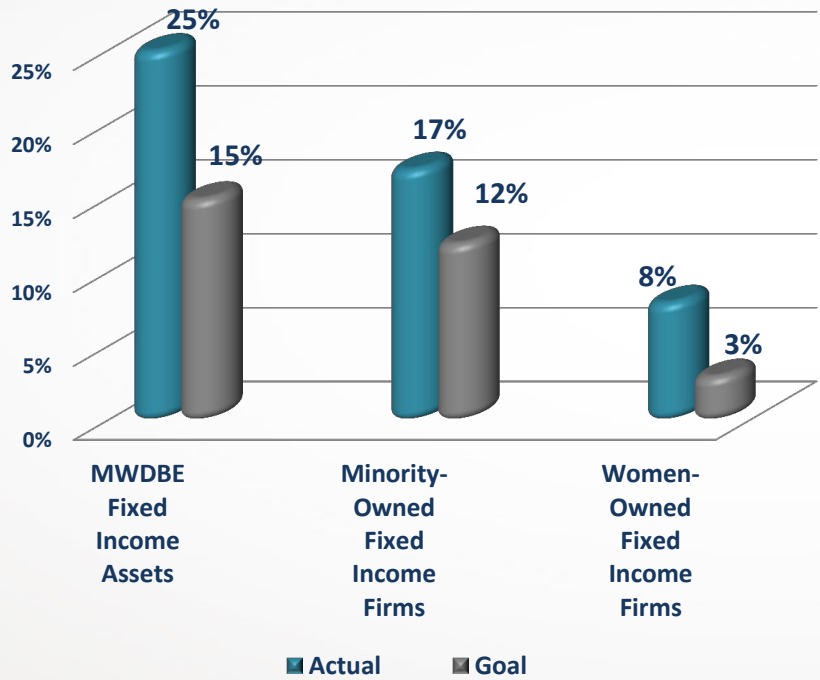
As of 3/31/2019

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MWDBE Fixed Income Managers

For Fixed Income assets, CTPF had \$709.7 invested with MWDBE firms

- 25% of all fixed income assets were managed by MWDBE firms
 - 17% of these assets were managed by Minority-owned firms
 - 8% of these assets were managed by Women-owned firms



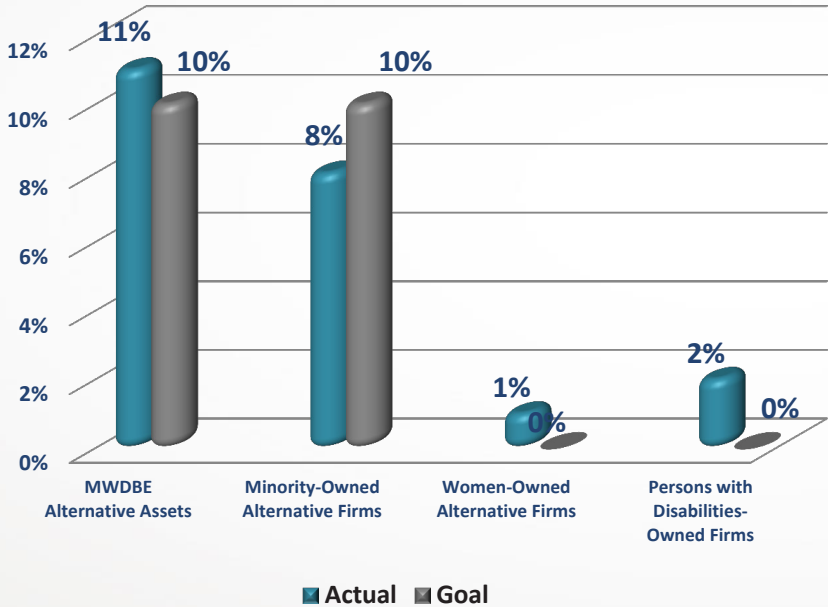
As of 3/31/2019

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MWDBE Alternative Managers

For Alternative assets, CTPF had \$150.3M invested with MWDBE firms

- **11%** of all Alternative assets were managed by MWDBE firms
 - **8%** of these assets were managed by Minority-owned firms
 - **1%** of these assets were managed by Women-owned firms
 - **2%** of these assets were managed by Persons with a Disability-owned firms



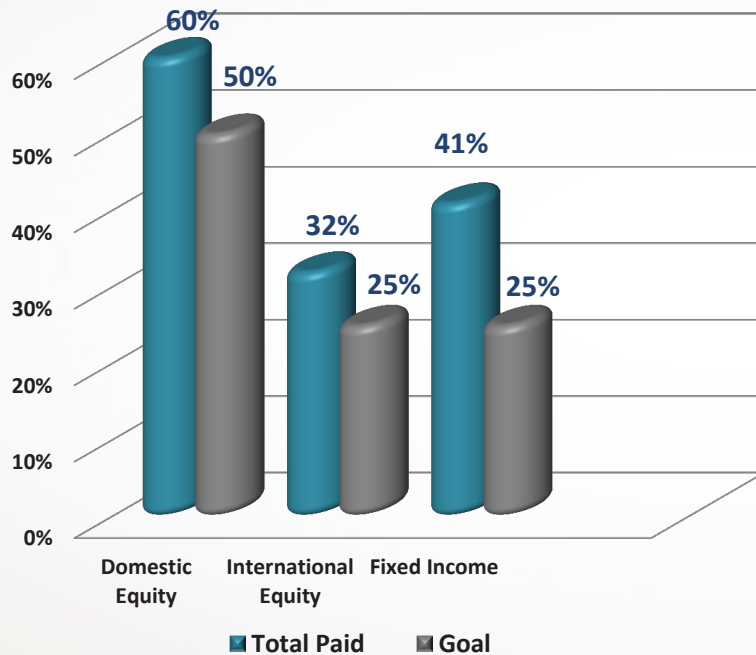
As of 3/31/2019

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Brokerage Commissions for 2018

In calendar year 2018, the Fund paid over **\$2.8M** in Domestic Equity and International Equity commissions. **\$1.1M** was directed to MWDBE brokers.

In 2018, the Fund had **\$4.9B** in Fixed Income par volume traded and **\$2.0B** was directed to MWDBE brokerage firms.



Calendar year 2018

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Table #2: Asset Managers

The special committee recognizes that not all funds/systems invest in the same asset classes and/or have completed FY 18. 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	2011	2012	2013	2014	2015	2016	2017	2018
Equities (Inclusive of Domestic & International)	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%	30.0%
Fixed Income	15.0%	15.0%	15.0%	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%	10.0%	10.0%	10.0%	10.0%
*If a goal was not set for specific private market asset classes, please input the goal for private markets in general								
% OF ASSET MANAGED	2011	2012	2013	2014	2015	2016	2017	2018
African-American	21.7%	26.3%	12.0%	13.0%	12.7%	12.6%	10.7%	10.4%
Latino(a)	6.7%	27.3%	6.7%	8.3%	6.1%	4.8%	5.2%	5.5%
Asian-American	0.5%	0.7%	0.5%	0.4%	0.6%	0.1%	0.6%	0.4%
Female	4.5%	10.7%	12.7%	13.8%	15.5%	19.8%	24.6%	25.4%
Other	0.2%	0.1%	0.1%	0.1%	0.0%	0.2%	0.2%	0.3%
% OF FEES PAID TO MWBE	2011	2012	2013	2014	2015	2016	2017	2018
African-American	16.8%	21.2%	17.2%	17.8%	18.7%	18.7%	18.9%	19.2%
Latino(a)	5.6%	23.1%	6.8%	7.9%	6.0%	4.1%	3.9%	5.3%
Asian-American	1.4%	1.3%	1.5%	1.7%	2.1%	0.5%	3.2%	3.9%
Female	3.4%	3.5%	3.8%	5.0%	5.3%	5.8%	8.3%	8.3%
Other	0.2%	0.5%	0.0%	0.1%	0.4%	0.7%	0.6%	0.5%
% OF ASSET MANAGED BY ILLINOIS MWDBE FIRMS	2011	2012	2013	2014	2015	2016	2017	2018
African-American	4.5%	4.2%	5.1%	5.1%	5.2%	4.8%	2.1%	2.8%
Latino(a)	0.5%	0.5%	0.6%	0.6%	0.4%	0.4%	0.5%	0.9%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Female	0.3%	0.3%	0.5%	0.6%	0.6%	0.2%	0.0%	0.8%
Other	0.0%	0.1%	0.1%	0.1%	0.0%	0.2%	0.2%	0.3%
% OF FEES PAID TO ILLINOIS MWDBE FIRMS	2011	2012	2013	2014	2015	2016	2017	2018
African-American	4.5%	4.3%	4.6%	5.6%	5.5%	5.2%	5.3%	5.2%
Latino(a)	0.9%	1.2%	1.0%	0.9%	0.6%	0.6%	0.8%	1.1%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Female	0.4%	1.0%	1.1%	1.4%	5.5%	0.6%	0.0%	0.9%
Other	0.0%	0.5%	0.0%	0.1%	1.8%	0.7%	0.6%	0.5%
% OF ASSETS MANAGED BY MWDBE FIRMS	2011	2012	2013	2014	2015	2016	2017	2018
All Cap Equity	1.6%	4.8%	2.4%	2.3%	2.4%	2.5%	2.6%	2.7%
Large Cap Equity	17.8%	13.7%	13.8%	14.1%	14.2%	17.1%	18.3%	19.2%
Mid Cap Equity	0.5%	0.0%	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%
Small Cap Equity	2.7%	2.1%	2.1%	2.2%	1.8%	1.9%	1.6%	1.3%
Global Equity	0.0%	0.0%	0.0%	0.0%	0.3%	1.6%	0.3%	0.3%
International Equity All Cap	0.0%	0.0%	0.4%	0.4%	0.3%	1.3%	0.0%	0.0%
International Equity Large Cap	5.3%	6.0%	6.7%	6.6%	6.2%	5.0%	8.4%	7.8%
International Small Cap Equity	0.0%	0.0%	0.1%	0.1%	0.2%	0.2%	0.3%	0.3%
Emerging Markets Equity	0.0%	0.0%	0.4%	0.0%	1.7%	1.8%	2.4%	2.2%
Fixed Income	3.1%	3.1%	3.6%	5.3%	5.4%	5.2%	6.4%	6.9%
Emerging Markets Fixed Income	0.0%	0.0%	0.2%	0.2%	0.1%	0.1%	0.1%	0.1%
Real Estate	1.2%	0.6%	0.5%	0.7%	0.5%	0.5%	0.4%	0.6%
Private Equity	0.5%	0.5%	0.5%	0.6%	0.5%	0.5%	0.4%	0.6%
REITS	0.0%	0.7%	0.7%	1.0%	1.1%	0.0%	0.0%	0.0%
Hedge Funds	0.3%	0.3%	0.3%	0.3%	0.3%	0.2%	0.0%	0.0%
Infrastructure	0.0%	0.0%	0.0%	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 18. 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

	2011	2012	2013	2014	2015	2016	2017	2018
Domestic Equity (MoM, AC,LC)	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%	50.0%
Domestic Equity (SC, Passive)	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
International Equity (MoM,AC,LC, Passive)	25.0%	25.0%	35.0%	35.0%	35.0%	35.0%	35.0%	35.0%
International Equity (SC)	25.0%	25.0%	5.0%	5.0%	5.0%	5.0%	5.0%	5.0%
Fixed Income	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%	25.0%
REITs	0.0%	0.0%	10.0%	10.0%	10.0%	10.0%	10.0%	10.0%

DOMESTIC EQUITY

% of Commissions Paid to MWBE	2011	2012	2013	2014	2015	2016	2017	2018
African-American	33.9%	37.0%	37.7%	32.4%	41.8%	34.7%	34.5%	24.5%
Latino(a)	12.4%	8.0%	5.9%	10.6%	3.1%	4.8%	12.5%	15.8%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.2%	3.9%
Female	10.6%	8.2%	14.6%	20.1%	23.3%	18.1%	13.7%	13.6%
Other	0.4%	0.3%	0.3%	2.6%	2.2%	2.3%	3.0%	1.8%
IL Based	28.6%	31.5%	67.2%	100.0%	100.0%	97.8%	95.9%	89.9%

INTERNATIONAL EQUITY

% of Commissions Paid to MWBE	2011	2012	2013	2014	2015	2016	2017	2018
African-American	19.9%	15.8%	14.6%	13.2%	14.6%	22.5%	16.7%	14.7%
Latino(a)	9.0%	11.1%	8.4%	5.7%	5.3%	0.2%	5.3%	8.6%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Female	0.6%	1.7%	4.1%	5.5%	6.1%	9.2%	4.1%	2.4%
Other	0.0%	0.0%	2.3%	1.9%	0.0%	3.2%	8.1%	6.5%
IL Based	38.0%	27.0%	86.7%	100.0%	99.9%	98.2%	100.0%	94.4%

FIXED INCOME

% of Commissions Paid to MWBE	2011	2012	2013	2014	2015	2016	2017	2018
African-American	28.8%	28.4%	31.2%	27.7%	33.5%	33.2%	33.6%	31.4%
Latino(a)	1.4%	0.1%	1.0%	3.1%	2.7%	1.5%	5.6%	7.4%
Asian-American	0.2%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Female	0.0%	0.0%	0.0%	0.8%	1.3%	1.1%	0.9%	0.8%
Other	0.1%	0.1%	0.4%	0.4%	1.2%	1.7%	0.7%	1.8%
IL Based	18.0%	16.0%	64.5%	100.0%	98.0%	97.4%	95.1%	97.9%

HEDGE FUNDS

% of Commissions Paid to MWBE	2011	2012	2013	2014	2015	2016	2017	2018
African-American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Latino(a)	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Asian-American	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Female	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
IL Based	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

REITS

% of Commissions Paid to MWBE	2011	2012	2013	2014	2015	2016	2017	2018
African-American	0.0%	0.0%	2.4%	2.3%	6.0%	8.7%	0.0%	0.0%
Latino(a)	0.0%	0.0%	1.4%	2.4%	3.1%	4.0%	0.0%	0.0%
Asian-American	0.0%	0.0%	1.7%	0.3%	0.0%	7.0%	0.0%	0.0%
Female	0.0%	0.0%	0.0%	0.0%	0.0%	4.3%	0.0%	0.0%
Other	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
IL Based	0.0%	0.0%	69.7%	94.4%	99.5%	95.8%	0.0%	0.0%

How we Invest in Emerging Managers

CTPF invests in MWDBE firms in four ways:

- **Direct Mandates**

- Currently the Fund has direct relationships with **34** MWDBE firms, with **60** 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 **8** MWDBE firms via **8** investment funds.

As of 3/31/2019

NOTES

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 **15** MWDBE firms via **18** investment strategies.

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

As of 3/31/2019

NOTES

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.

NOTES

CTPF Outreach

continued

Organizations and Involvement

- National Association of Security Professionals (*NASP*)
- New America Alliance (*NAA*)
- National Association of Investment Companies (*NAIC*)
- Women Investment Professionals (*WIP*)
- Women in Real Estate (*WIRE*)
- Pension Real Estate Association (*PREA*)
- Institutional Limited Partners Association (*ILPA*)

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CTPF Outreach

continued

Conferences

- 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)

Publications

- Emerging Manager Monthly
- Fund Fire
- Pensions & Investments
- Financial Times
- Mandate Wire

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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.