OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: **October 30, 2019**

Re: Proposed Catalyst Fund Appointees submitted to Mayor Lightfoot

ID#: **28-01**

The following is the list of nominees, along with a short bio of each, which the Treasurer sent to Mayor Lightfoot for consideration as Board Members for the Chicago Community Catalyst Fund.

Candidates for the Catalyst Fund Board of Directors

Sandya Dandamudi
President, GI Stone

Sandya Dandamudi is president of GI Stone, located on the West Side of Chicago. The company manufactures, supplies and is an installer of stone products. Founded 28 years ago by her mother, Rani, GI Stone is WBE/MBE certified, and a signatory to Union Local 21.

Clients include 9 Walton, One Bennet Place, The Ritz Carlton, Wolf Pointe, Northwestern Outpatient Hospital, and more. Dandamudi serves on the board of directors of USO of Illinois. She is also the vice president of the Revive Center for Housing and Healing. Her mission is to serve individuals who are chronically homeless and often living with severe addiction.

Dandamudi is committed to assuring the existence of services that support emotional health, access to nutritional food and promoting self-expression.

Manuel Flores
President and CEO, SomerCor and former 1st Ward Alderman

Manuel Flores is president and CEO of SomerCor, a non-profit, small business lender/economic organization that is authorized by the Small Business Administration. Flores has served as chief strategy officer for Glass Mountain Capital, special counsel to Kelleher & Buckley, partner at Arnstein & Lehr, acting secretary at the Illinois Department of Financial and Professional Regulation, director of Division Banking for IDFPR, and acting chairman of the Illinois Commerce Commission.

Additionally, Flores had a distinguished career as a 1st Ward Alderman, serving more than six years. He also worked as an assistant state's attorney in the Cook County State's Attorney's Office focusing on both criminal and labor issues. Flores sits on several boards, including the Small Business Advocacy Council, Environmental Law and Policy Center, Dominican University, and ChildServ.

Manuel Flores holds a B.A. in Political Science from Dominican University and a J.D. from George Washington University Law School.

Dr. Helene Gayle
President and CEO, Chicago Community Trust

Dr. Helene Gayle is president and CEO of The Chicago Community Trust, one of the nation's leading community foundations. The organization works with donors, non-profits, community leaders and residents to lead and inspire philanthropic efforts that improve the quality of life in the Chicago region.

Previously, Dr. Gayle was CEO of the non-profit McKinsey Social Initiative, a non-profit that builds partnerships for social impact. Dr. Gayle spent 20 years working with the Center for Disease Control, assisting with programs that focused on HIV/AIDS. Dr. Gayle serves on several public companies and non-profit boards including The Coca-Cola Company, Colgate-Palmolive, the Rockefeller Foundation, Brookings Institution, the Center for Strategic and International Studies, New America and the ONE campaign. She is a member of the Council on Foreign Relations, the American Public Health Association, the National Academy of Medicine, and the National Medical Association and the American Academy of Pediatrics.

Dr. Gayle is a prolific writer of articles on global and domestic health issues, poverty and social justice. She was named one of Forbes "100 Most Powerful Women."

Dr. Helene Gayle earned a B.A. in psychology from Barnard College, a M.D. from the Univ. of Pennsylvania, and a M.P.H. from John Hopkins University, as well as 15 honorary degrees.

Albert Grace, Jr.
Co-founder, Loop Capital and Finance

Albert R. Grace, Jr. is co-founder and former president of Loop Capital Markets. The company is one of the largest private global investment banking, brokerage and financial advisory firms in the United States. Prior to launching Loop Capital, Grace worked in executive management positions at several international firms specializing in finance and commodities law.

Currently, Grace is chairman of the finance-budget committee of the Board of Sinai Health System. He also serves on several other boards including Bank Leumi USA and Bowa Construction. Grace also served on the Securities Industry Association's National Institution Brokerage Committee and Chicago United, where he was chair of the investment committee and as a key advisor to the Illinois Treasurer.

Grace holds a B.S. in History from University of Wisconsin-LaCrosse and a J.D. from the University of Wisconsin Law School.

Meghan Harte
Executive Director, Local Initiatives Support Corporation (LISC)

Meghan Harte serves as the executive director of the Chicago office of the Local Initiatives Support Corporation (LISC). A national leader in comprehensive community development, LISC works with residents and partners, forges resilient and inclusive communities of opportunity across America – great places to live, work, visit, do business and raise families.

Prior to joining LISC Chicago, Harte served as Mayor Rahm Emanuel's Deputy Chief of Staff. Previous to working in the Mayor's office, Harte was Vice President at AECOM. She also served as the Managing Director of Resident Services for the Chicago Housing Authority. Harte now serves on the CHA Board of Commissioners. Additionally, Harte served as a deputy chief of staff for Mayor Richard M. Daley and held positions surrounding the 1996 Democratic National Convention and the 2012 NATO Host Committee.

Meghan Harte holds a B.S. degree from Vanderbilt University and a J.D. from Loyola University Chicago School of Law.

Calvin L. Holmes
Council Member, Chicago Community Loan Fund and Bank of America

Calvin L. Holmes has served as president of the Chicago Community Loan Fund (CCLF) since 1998. CCLF is a nonprofit, certified Community Development Financial Institution (CDFI) that provides flexible, affordable, and responsible financing and technical assistance for community stabilization and development efforts and initiatives that benefit low-to moderate-income neighborhoods, families, and individuals throughout metropolitan Chicago.

Holmes currently serves as an advisor to the Community Development Advisory Board (appointed by President Obama), Bank of America National Community Advisory Council, Kroger Community Development Entity, LLC, PNC Bank Advisory Board (Illinois), and the Great Lakes Region Sustainability Funds LLC. He serves on the boards of the Cook County Land Bank Authority (Treasurer), Chicago Community Land Trust (Treasurer), Community Reinvestment Fund & NMTC CDE, South Suburban Land Bank and Development Authority and the Interfaith Housing Development Corporation of Chicago (Secretary).

He is a member of the Appraisal Board for the Illinois Department of Financial and Professional Regulation and a board member for the Community and Economic Development Organization in Woodlawn, Washington Park and South Shore. Holmes has been honored individually with many community leadership awards, including from the Chicago CRA Coalition and Bank of America. In 2001, he was distinguished as one of Crain's Chicago's 40 Under 40 young leaders, and was a 2002-2003 Leadership Greater Chicago fellow.

Calvin Holmes holds a B.A. from Northwestern in African-American Studies and a M.A. in Urban and Regional planning, with a concentration in real estate development, from Cornell University.

Peter Holsten
President, Holsten Real Estate Development Corporation

Peter Holsten founded Holsten Real Estate Development Corporation in 1975. Over the years, the corporation has grown into a team of companies, including real estate development, property management, construction management, and social services. Under Holsten's leadership, the company has received numerous awards for affordable housing development, mixed-income housing development, historic preservation, and management.

Peter Holsten donates his time to several organizations including, the City of Chicago Affordable Housing Task Force, the Chicago Rehab Network, the Chicagoland Apartment Association, and the State of Illinois Housing Task Force.

Peter Holsten holds a B.S. in Mechanical Engineering from the University of Wisconsin and an M.B.A. from the University of Chicago.

Kym M. Hubbard
Retired, Treasurer and Chief Investment Officer, Ernst & Young, Americas.

Hubbard is the former Treasurer and Chief Investment officer for Ernst & Young, Americas. She has had an extensive career in the financial sector, and is a frequent speaker on leadership, financial literacy and diversity in financial services.

Hubbard has also held positions in government including executive director of the Illinois Finance Authority and portfolio manager for the Illinois State Board of Investment. Hubbard sits on several boards, including the Shedd Aquarium, The Chicago Network, and Altura Capital. She was recently appointed chairman of the Illinois Student Assistant Commission.

Hubbard has won several honors, including the Women of Excellence Award and the Business Leader of Color Award. Kym M. Hubbard holds a degree in accounting from Bradley University.

John Rogers, Jr.
Co-CEO and Chief Investment Officer, Ariel Investments

In 1983, Rogers founded Ariel Investments to focus on patient, value investing within small-and medium-sized companies. He is currently the Co-CEO and Chief Investment Officer. Rogers' success is widely recognized in the industry. He was named Co-Mutual Fund Manager of the Year by Sylvia Porter's Personal Finance magazine as well as an All-Star Mutual Fund Manager by USA TODAY.

Rogers is a member of the board of directors of McDonald's, NIKE and The New York Times Company. He also serves as vice chair of the board of trustees of the University of Chicago. Additionally, Rogers is a member of the American Academy of Arts and Sciences, and a director of the Robert F. Kennedy Center for Justice and Human Rights.

In 2008, Rogers was awarded Princeton University's highest honor, the Woodrow Wilson Award, presented each year to the alumnus or alumna whose career embodies a commitment to national service. Following the election of President Barack Obama, Rogers served as co-chair for the Presidential Inaugural Committee 2009, and more recently, he joined the Barack Obama Foundation's Board of Directors.

John Rogers, Jr. holds a B.A. in Economics from Princeton University, where he was also captain of the varsity basketball team.

Smita N. Shah
CEO and Founder, SPAAN Tech, Inc.

Smita N. Shah is CEO and Founder of SPAAN Tech, Inc., a public and private infrastructure firm. The firm specializes in overseeing the planning, design and implementation of transportation, aviation, energy efficiency and commercial facilities.

Shah is a leader on several boards including the M.I.T. Corporation Development Council, the Chicago Planning Commission, the Museum of Science and Industry, the Abraham Lincoln Presidential Library Foundation, the Ann & Robert Lurie Children's Hospital of Chicago, Loyola University of Chicago, and After School Matters.

Shah is an alum of the Edgar Fellows Program and was recognized by Crain's Chicago Business as one of the city's 100 most-connected Chicagoans.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 30, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-02 Invest South West

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Scott asked if there was any coordination of the use of the Catalyst Fund and the Mayor's new initiative, Invest South West.

As of this date, the Treasurer has not been contacted in her role as Chair of the Chicago Community Catalyst Fund (the Fund) to use the resources of the Fund to bolster the Mayor's initiative. Instead, the funding to spur the development through the Invest South West program will be TIF funds, NOF funds, and some private funding.

However, since the Catalyst Fund's mission is to drive economic development, I am sure that the Catalyst Fund Board would be willing to assist and help neighborhoods included in Invest South West.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: **October 30, 2019**

Re: Request from Ald. Reilly re: non-union scheduled salary increases for FY2020

ID#: **28-03**

The following is a list of the seven (7) non-union scheduled salary increases for FY 2020 for the Office of the City Treasurer:

Fund #	Position	FY 2020 Salary Rate	FY2019 Salary Rate
0100	Assistant to the City Treasurer	$90,192	$81,660
0100	Director of Accounting	$114,228	$109,296
0100	Deputy City Treasurer	$160,632	$154,380
0200	Assistant City Treasurer	$121,560	$113,376
0314	Portfolio Manager	$75,408	$68,052
0610	Data Services Administrator	$72,024	$70,272
0740	Deputy City Treasurer	$151,320	$141,828

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 30, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-04 Return on Investment

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Reilly requested an analysis comparing the City's return on investment compared to the nine largest cities in the country.

The Office of the City Treasurer is in the process of determining how to conduct the requested analysis. Given the timing, available department resources, staff, etc. this analysis will require more time than allotted by the 72-hour response window. The Office plans to develop a timetable that will provide an accurate analysis and review schedule and will provide this schedule to the Committee Chair once it is completed.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 30, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-05 Credit Unions

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Rodriguez requested an update on allowing credit unions to serve as municipal depositories.

On June 12, 2019, an ordinance (02019-4128) was introduced by Aldermen Dowell, Sawyer, Thompson, Moore, and Villegas, that would amend Chapter 2-32 of the Municipal Code of Chicago to permit Credit Unions to be eligible to serve as Municipal Depository for the City of Chicago.

The ordinance, as it is currently written, needs to be re-drafted to correct formatting errors, requires additional sections to be amended, and needs additional language as required under Illinois law. The Office of the City Treasurer is currently working on a substitute and anticipate that it will be ready for hearing by the end of the year.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 30, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-06 Return on Investment

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Burnett requested information regarding the rate of return on investment for City Pension Funds.

Please see the chart below.

Return on Investment of City Pension Funds

	Police	Fire	Laborer	Muni
2019 -YTD (SEP)	10.78%	13.90%	11.20%	10.70%
1 Year (Trailing)	2.86%	2.60%	-6.70%	2.00%
3 Year (Trailing)	7.18%	8.60%	6.80%	6.60%

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 30, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-07 City Investments

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Tunney requested the 3-year average on the returns of City investments.

Please see the information below.

3-Year average Return on the returns of City's investments

- 2017: 1.78%
- 2018: 2.07%
- 2019: 1st Quarter thru 3rd Quarter: 2.48%
- 2017 thru 3rd Quarter of 2019: 2.16%

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 30, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-08 Municipal Depositories

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Austin requested a list of approved municipal depositories for the City and which municipal depositories the Treasurer's Office utilizes.

Below is a list of current municipal depositories for the City of Chicago.

- Albany Bank & Trust Co. NA
- Amalgamated Bank of Chicago
- Associated Bank (No business)
- Bank of America NA
- Belmont Bank & Trust Co. (No business)
- BMO Harris Bank NA
- Citibank NA
- Fifth Third Bank
- First Eagle Bank (No business)
- **GN Bank (African American Bank)**
- Huntington Bancshares Inc. (No business)
- JPMorgan Chase Bank NA
- Lakeside Bank (No business)
- PNC Bank NA
- Pacific Global Bank (No business)
- The Northern Trust Company (No business)

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN

CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 30, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-09 Contractual Services

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Austin requested a breakdown of all contracted services for the Department.

The Office of the City Treasurer has broken down the list into two areas: Broker Dealer Firms and other consultants. If the person or company is a minority, women or disabled/veteran owned, that has been noted next to the name.

Consultants are as follows:

Tariq Malhance – Consultant – Asian
Fourcher Consulting LLC – Consultant
D Shaun Bolden – Consultant - African American

The Broker Dealer Firms that the Office of the City Treasurer used in 2019 are as follows:

Academy Securities, Inc.	**Disabled/Veteran Firm**
Alamo Capital	**Women Firm**
Andes Capital Group, LLC	**African American Firm**
Amherst Pierpont Securities, LLC	
Bancroft Capital, LLC	**Disabled/Veteran Firm**
Bank of America Merrill Lynch	
BB&T Capital Markets	
Blaylock Van, LLC	**African American Firm**
BMO Harris	

BNY Mellon Capital Markets, LLC	
Brean Capital, LLC	
Cabrera Capital Markets, LLC	**Hispanic Firm**
CastleOak Securities, LP	**African American Firm**
Citigroup Global Markets, Inc.	
Drexel Hamilton, LLC	**Disabled/Veteran Firm**
Fifth Third Securities, Inc.	
FTN Financial Capital Markets	
Great Pacific Securities	**Hispanic Firm**
Guggenheim Securities, LLC	
Hilltop Securities, Inc.	
Huntington	
IFS Securities, Inc.	**African American Firm**
Incapital Holdings, LLC	
JP Morgan Securities	
KeyBanc Capital Markets, Inc.	
Loop Capital Markets, LLC	**African American Firm**
Mesirow Financial, Inc.	
Mischler Financial Group	**Disabled/Veteran Firm**
Mizuho Securities USA, Inc.	
Multi-Bank Securities, Inc.	**Disabled/Veteran Firm**
Northern Trust Securities, Inc.	
Penserra Securities, LLC	**Hispanic Firm**
Piper Jaffray & Co	
PNC Capital Markets, LLC	
R. Seelaus & Co, Inc.	**Women Firm**
Raymond James Financial, Inc.	
RBC Capital Markets, LLC	
Rice Financial Products Company	**African American Firm**
Robert W. Baird & Co	
Ronin Capital, LLC	
Samuel A. Ramirez & Co, Inc.	**Hispanic Firm**
Siebert Cisneros Shank & Co., LLC	**Woman/African American Business**
Stephens, Inc.	
Stifel, Nicolaus & Co	
SunTrust Robinson Humphrey	
Susquehanna Financial Group	
TD Securities, Inc.	
Tribal Capital Markets, LLC	**Indigenous Firm**
UBS Financial Services	
UnionBanc Investment Services	
Vining Sparks IBG, LP	
Wells Fargo Securities, LLC	
Williams Capital Group, LP	**African American Firm**
Zions Bank Capital Markets	

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-10 Municipal Bank

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Moore requested an analysis of the benefits and potential savings of forming and implementing a Municipal Bank.

The Civic Federation has collected information on this topic which can be found at:
https://www.civicfed.org/civic-federation/blog/public-bank-city-chicago.

Additionally, we are in the process of determining how to conduct the requested analysis. Given the timing, available department resources, we will require more time than allotted by the 72 hour response window. We plan to develop a timetable that will provide an accurate analysis and review schedule, and will provide this schedule to the Committee Chair once it is completed.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN

CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-11 Municipal Depositories

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Moore requested information regarding the lending practices of a municipal bank.

Pursuant to Section 2-32-400 of the Municipal Code of Chicago, at least once each year before the first day of December, the City Comptroller is mandated to issue a request for proposals (RFP) for financial institutions seeking to be a municipal depository for the City of Chicago and Chicago Public Schools. Pursuant to the Municipal Code, the banks and savings & loans that apply to be a municipal depository must provide Community Reinvestment Act (CRA) data for census tracts in the City of Chicago.

The application for next year's City municipal depositories is not due until November 18, 2019. Aldermen can reach out to our office or the Comptroller's office in the latter part of November to request that data.

Furthermore, if a bank is FDIC insured, by visiting https://www5.fdic.gov/crapes/ and put in a bank's name, CRA reports submitted to the FDIC can be viewed.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-12 Lending Practices

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Hairston asked for the names of the schools in the 5th Ward that the Treasurer's Office was working with to conduct the Treasurer's Financial Literacy Programs.

The Treasurer's Office is still in the developmental phase of planning our Financial Literacy Program for students. The office will be contacting all Aldermanic offices for school recommendations in their wards so the program can have the greatest impact across the city.

Our goal for FY 2020 is to conduct financial literacy classes in schools in all 50 wards throughout the year.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-13 Investment Consultants

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Smith requested information regarding the City's investment consultants for the four pension funds.

Please see the following information:

- Firemen's Annuity & Benefit Fund Investment Consultant: Callan, LLC
- Police Annuity & Benefit Fund Investment Consultant: NEPC, LLC
- Municipal Employees Annuity & Benefit Fund Investment Consultant: Marquette Associates
- Laborers Annuity & Benefit Fund Investment Consultant: Marquette Associates

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-14 Pension Funds

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Lopez asked if the performance of the City's four pension funds could be provided on the City Treasurer's website and routinely updated.

The simple answer is yes. Additionally, as the Treasurer's Office is in the process of redesigning its website, we will include pension fund performance as one of the tabs on the landing page to ensure greater transparency with Aldermen, City employees, and taxpayers.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: November 18, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-15 Affordable Housing (Update)

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman LaSpata requested information on how the department has looked at investing in affordable housing.

The Office of the City Treasurer received the following information from the City's four (4) pension funds regarding their investments in affordable housing. Since there was no formal definition in the request, our office requested for the list of all investments in housing authorities and federal agencies that provide liquidity to the mortgage market.

Pension Fund	Issuer	Market Value	Date
LABF	Fannie Mae	$26,164,891.82	9/30/2019
LABF	Federal Home Long Banks	$1,881,194.39	9/30/2019
LABF	Freddie Mac	$12,979,203.15	9/30/2019
LABF	Ginnie Mae	$2,023,921.38	9/30/2019
LABF	Federal Home	$ 1,816,232.92	9/30/2019
MEABF	Freddie Mac	$ 32,247,050.35	9/30/2019
MEABF	Fannie Mae	$ 50,094,575.23	9/30/2019
MEABF	Ginnie Mae	$ 5,906,142.70	9/30/2019
MEABF	Chicago Illinois Housing Authority	$ 232,409.10	9/30/2019
MEABF	Florida Housing Finance Corporation	$ 94,390.82	9/30/2019
MEABF	MINNESOTA HOUSING FINANCE AGENCY	$ 70,248.31	9/30/2019
MEABF	NEW YORK CITY HSG DEV CRP	$ 251,038.75	9/30/2019

MEABF	OHIO HOUSING FINANCE AGENCY	$ 327,442.33	9/30/2019
MEABF	UTAH HOUSING CORPORATION	$ 41,644.80	9/30/2019
MEABF	VIRGINIA HOUSING DEVELOPMENT AUTHORITY	$ 251,087.21	9/30/2019
MEABF	VIRGINIA HOUSING DEVELOPMENT AUTHORITY	$ 99,426.00	9/30/2019
PABF	Fannie Mae	$ 3,422,617.51	9/30/2019
PABF	Freddie Mac	$ 70,207.65	9/30/2019
FABF	California Housing Finance Agency	$ 172,772.92	9/30/2019
FABF	Federal Home Loan Banks Office of Finance	$ 30,021.72	9/30/2019
FABF	Federal Home Loan Mortgage Corporation	$ 4,348,715.85	9/30/2019
FABF	Federal National Mortgage Association, I	$ 18,981,090.55	9/30/2019
FABF	Florida Housing Finance Corporation	$ 422,528.61	9/30/2019
FABF	Government National Mortgage Association	$ 8,673,060.49	9/30/2019
FABF	Louisiana Housing Corporation	$ 317,545.41	9/30/2019
FABF	Minnesota Housing Finance Agency	$ 177,456.15	9/30/2019
FABF	Missouri Housing Development Commission	$ 194,898.60	9/30/2019
FABF	Texas Department of Housing and Communit	$ 204,903.65	9/30/2019
FABF	Virginia Housing Development Authority	$ 186,361.63	9/30/2019

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN

CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-15 Affordable Housing

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman LaSpata requested information on how the department has looked at investing in affordable housing.

The Office of the City Treasurer's Portfolio invests a total of $827 million in institutions that provide financing and liquidity to the home lending markets which provide access to homeownership for low- and moderate-income families. These investments include:

- Federal Home Loan Bank ($567,265,583.28): bank association that provides liquidity to members' financial institutions to increase access to housing and aid community investment. Further, 10% of annual earnings of the associated banks goes towards affordable housing programs;
- Fannie Mae ($86,201,774.15), Freddie Mac ($88,306,820.80), and Ginnie Mae ($62,589,322.33): purchase residential mortgages from lenders to allow them to make new mortgages available to consumers; reduce financing costs and create opportunities for sustainable, affordable housing for families seeking home ownership;
- Colorado Housing and Finance Authority, Inc. ($14,420,000.00): provides financing of single-family mortgages and supports development of apartments for low- and moderate-income residents;
- Chicago Housing Authority ($5,700,000.00): provides low- and moderate-income persons with safe and sanitary housing;
- Maryland Department of Housing and Community Development ($1,900,000.00): increase and preserve the supply of affordable housing and provide good choices for working families, senior citizens, and individuals with special needs; and

- Illinois Housing Development Authority ($630,000.00): finances the creation and the preservation of affordable housing in Illinois to increase the supply of decent and safe places for people of low or moderate means to live.

Regarding investments in affordable housing by the City's four pension funds, we are in the process of collecting this data from the individual funds. Given the timing, turnaround time to our request to the pension funds, available Treasurer's Office department resources, we will require more time than allotted by the 72 hour response window. Once we receive all of this information from the pension funds, we compile the data into a report, and provide this information to the Committee Chair.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-16 Investment Policies

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman LaSpata requested information on the City's investment policies, as well as investment policies of the pension funds.

Attached are copies of the City's four Pension Funds Investment Policies and the City's Investment Policy.

As always, please let me know if you have any further questions.

LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

INVESTMENT POLICY STATEMENT

Adopted March 19, 2019

Table of Contents

INTRODUCTION

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF") is a single-employer, defined benefit public pension fund. The LABF was created in 1935 by virtue of an act of the Illinois General Assembly to provide retirement and disability benefits to its members and their beneficiaries. The LABF is administered in accordance with the Illinois Pension Code (40 ILCS 5/Arts. 1, 1A, 11, 20, and 22) (as amended from time to time, the "Illinois Pension Code"). The LABF is governed by an eight-member Board of Trustees (the "Board").

STATEMENT OF PURPOSE

The purpose of this Investment Policy Statement ("IPS" or "Policy"), including the attached Appendices, is to set forth the Board's investment objectives, policies, and procedures relating to the investment of the LABF's assets in accordance with the Illinois Pension Code. The IPS will define the duties and responsibilities of the Board, acting in a fiduciary capacity, and of all persons or entities acting on the Board's behalf. The objectives, policies, and procedures outlined in this IPS were created as a general framework to guide the management of the LABF. This Policy replaces and supersedes any and all other LABF policies, resolutions, or practices covering the subject of investments, whether written or verbal.

This Policy is intended to comply with the provisions of the Illinois Pension Code. In the event of a conflict between this Investment Policy Statement and the applicable sections of the Illinois Pension Code, the Illinois Pension Code governs.

FIDUCIARY DUTY

Per the Illinois Pension Code, the Board and certain LABF staff members have a fiduciary obligation to the LABF's participants and their beneficiaries. In summary, the provisions of the Illinois Pension Code specifically referring to the definitions, duties, and responsibilities of a fiduciary are:

- a fiduciary is anyone who has discretion in managing pension fund assets or in administering the pension fund, or who renders investment advice for direct or indirect compensation. [40 ILCS 5/1-101.2]
- a fiduciary must discharge its duties to the pension fund for the exclusive purposes of providing benefits to participants and beneficiaries, and defraying reasonable administrative expenses of the pension fund. [40 ILCS 5/1-109(a)]
- a fiduciary must discharge its duties to the pension fund with the same care, skill, prudence and diligence that a prudent person would use in a similar enterprise. [40 ILCS 5/1-109(b)]
- a fiduciary must discharge its duties to the pension fund by diversifying the investments to minimize the risk of large losses, unless prudence dictates otherwise. [40 ILCS 5/1-109(c)]
- a fiduciary must discharge its duties to the pension fund in accordance with Articles 1, 1A and 11 of the Illinois Pension Code. [40 ILCS 5/1-109(d)]
- a fiduciary must not cause the pension fund to engage in prohibited transactions. A fiduciary must not deal with the pension fund's assets for its own interest, or on behalf of any party whose interests are adverse to the pension fund or its participants or beneficiaries. [40 ILCS 5/1-110]

INVESTMENT RELATED AUTORITIES AND RESPONSIBILITIES

The following provides the general scope of the investment-related authorities and responsibilities of each party involved in making investment-related decisions. This IPS is not intended to serve as a comprehensive statement relating to all investment-related matters. The Board reserves the right to limit or extend the terms of this IPS.

Responsibilities of the Board

The Board is responsible for adhering to the requirements of the laws governing the LABF, developing policies for the LABF's administration, and creating goals and objectives. The Board shall:

- Adopt an Investment Policy Statement, amend it as necessary, and monitor its implementation.
- Set investment goals, objectives, and guidelines.
- Diversify the LABF's assets to minimize idiosyncratic risk.
- Select and retain one or more investment consultants and outside legal counsels that will assist the Board and the LABF's investment staff in making investment-related decisions.
- Use available information and resources, including advice from the investment consultants, outside legal counsels, and the LABF's investment staff, to select and retain investment managers and other third-party service providers as needed to assist in the administration and implementation of the investment program.
- On at least a quarterly basis, review total investment portfolio and investment manager performance; on at least an annual basis, review performance of other third-party service providers associated with the investment of LABF's assets.
- Periodically direct the LABF's investment staff and investment consultant(s) to review fees related to investment management, brokerage, foreign exchange, and other third-party services to ensure that the fees paid by the LABF are competitive.
- Initiate an asset/liability study and asset allocation review at least every three to five years.
- Periodically review and update the LABF's Authorized Signatory List authorizing Board-approved staff to sign certain documents on behalf of the LABF.
- Comply with LABF's Ethics Policy and Bylaws.

In accordance with Section 1-109.1 of the Illinois Pension Code, the Board has the authority to delegate fiduciary duties to other parties as it relates to the prudent investment of the LABF's assets.

Responsibilities of the Investment Staff

The Executive Director, as a fiduciary, is appointed to oversee the administration of the LABF and to execute Board policies and other directives as the Board may set. The internal investment staff reports to the Executive Director, who also serves as the Chief Investment Officer (collectively, the "Investment Staff").

The Executive Director, or the Executive Director's designee, has the following responsibilities:

- Communicate with the Board regarding important investment-related matters.
- Monitor investment-related activities to ensure compliance with Board objectives and that the Investment Staff's responsibilities are being carried out prudently.
- Provide recommendations and/or direction to the Investment Staff as necessary.
- Ensure that proper internal and external controls are in place to safeguard the LABF's assets.
- Upon successful negotiations, execute contracts with Board-approved investment service providers.
- Execute contract amendments with existing Board-approved investment service providers; provided that the Executive Director prior to execution informs the Board of amendments that materially alter an existing contractual arrangement.
- Aid the Board in reviewing the performance and conduct of all investment service providers.
- Serve on advisory boards for the LABF's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the LABF, its participants, and their beneficiaries.
- Comply with the LABF's Ethics Policy and Bylaws.

The Investment Staff has the following responsibilities:

- Act as a liaison between the Board and the LABF's external investment managers and investment consultant(s).
- Monitor the performance of the investment portfolio and communicate with the Board concerning investment performance and other matters of importance relating to the investment portfolio.
- Make certain that proper liquidity is in place to cover the LABF's expenditures.
- Work closely with the Board to ensure its goals and objectives are met.
- Ensure that performance reports from the investment managers and investment consultant(s) are received in a timely fashion and provide the information required by the LABF.
- Set up procedures to ensure proper monitoring of investment service providers' compliance with the LABF's policies.
- Comply with the LABF's Ethics Policy and Bylaws.

Responsibilities of the Investment Consultant(s)

The Board may retain one or more investment consultants, acting in a fiduciary capacity, to provide expert advice, counsel, and support to the investment program. The investment consultant(s) shall:

- Aid the Board in determining the most effective investment program and the proper allocation of assets.
- Measure investment performance results, evaluate the investment program, and advise the Board as to the performance and continued appropriateness of each investment.
- Aid the Board and Investment Staff in reviewing other investment-related service providers, such as securities lending agent(s), custodian(s) and transition manager(s).
- Provide the Board and Investment Staff with regular and timely performance reporting including, but not limited to, comprehensive quarterly reports and monthly summary reports, and ensure the accuracy of such reports.
- Recommend modifications to the investment policies, objectives, and guidelines as appropriate.
- Promptly inform the Board and Investment Staff regarding significant matters pertaining to the investment of the LABF's assets.
- Conduct, or assist in conducting, searches for investment managers and other investment-related service providers.
- Ensure proper oversight of investment managers placed on "watch" status by the Board.
- Aid the Board in limiting investment-related expenses.
- Periodically, or as directed by the Board, review all investment management fee structures to confirm that they compare favorably with prevailing industry fees.
- Provide reasonable additional support to the Board and Investment Staff on an as-needed basis.
- Serve on advisory boards for the LABF's investments when appropriate and vote on issues in a manner consistent with its fiduciary duty to the LABF, its participants and their beneficiaries.

Responsibilities of the Investment Manager(s)

The investment manager(s) retained by the LABF shall acknowledge a fiduciary status and shall:

- Comply with all applicable laws, regulations, rulings, and contract documents; and promptly inform the Board, Investment Staff, and the appropriate investment consultant regarding any instance of non-compliance.
- Act as a fiduciary to the LABF in managing the portion of the LABF's assets under its control in accordance with this Policy, the Illinois Pension Code, and the terms of the contract or agreement with the LABF.
- Exercise full investment discretion, within the bounds of this Policy, the Illinois Pension Code, and the contract or agreement with the LABF, with regard to buy, hold, and sell decisions for the assets under management.
- On at least a quarterly basis, reconcile the account's positions with the LABF's master custodian.
- Promptly inform the Board, Investment Staff, and the appropriate investment consultant regarding significant matters pertaining to the investment of the LABF's assets, including, but not limited to, changes in firm ownership, affiliation, organizational structure, key personnel, financial condition, investment strategy, portfolio design, composition of the investment team, and pertinent legal issues, as well as other matters affecting the investment of the assets in accordance with the contract or agreement with the LABF.
- Provide timely reporting to the LABF regarding account activity, performance results (net and gross of fees), and any other information requested by the LABF.
- Comply with the LABF's brokerage policy, as applicable (see: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*).
- Vote proxies on behalf of the LABF, as applicable, in a manner consistent with its fiduciary duty to the LABF.

Responsibilities of the Transition Managers(s)

Transition managers, acting as fiduciaries, are utilized to transition a portfolio of securities as a result of portfolio liquidations, investment manager changes, asset allocation shifts, and portfolio rebalancing. Transition management centralizes the coordination of activities and parties involved with the purpose of eliminating unnecessary transactions, reducing costs, and maintaining market exposure during the transition period. The transition manager is entrusted to prudently manage the process.

The LABF utilizes a pool of approved transition managers and reserves the right to select a transition manager outside of the pool of approved transition managers, as necessary, with the approval of the Board. The LABF may also utilize its master custodian for transition activities when appropriate.

Transition managers will be selected from the pool through a bid process. Once selected, the transition manager(s) retained by the LABF shall:

- Comply with all applicable laws, regulations, rulings, and respective contract documents.
- Act as a fiduciary to the LABF as dictated in the contract documents with the LABF and perform the transition with the utmost care and prudence.
- Act only in an agency capacity at a firm level for all security transactions, unless otherwise agreed upon.
- Coordinate the transition trading activity with the LABF's investment managers (both legacy and target portfolios) and the LABF's custodian.
- Comply with the LABF's brokerage goals, as applicable (see: Appendix E: M/W/DBE Broker-Dealer Utilization Policy).
- Provide a detailed pre-trade analysis report to the Investment Staff before beginning the transition that shall include the timeframe required to achieve the desired objective of liquidating the legacy portfolio(s) and developing and/or funding the target portfolio(s). The pre-trade analysis report should illustrate expected explicit costs (e.g. commissions, taxes, fees, etc.) and implicit costs (e.g. bid-offer spread, market impact, etc.).
- Report to the Investment Staff during the transition period regarding trade activity from commencement of the process to its completion.
- Provide Investment Staff with a post-trade analysis report after the completion of the transition that should include, at a minimum, the actual explicit costs, implicit costs, and full trading/transaction reports.
- Provide any other reasonable information requested by Investment Staff, investment consultant, or the LABF's custodian.

Responsibilities of the Master Custodian(s)

The LABF's master custodian(s) shall:

- Comply with all applicable laws, regulations, rulings, and the custodial agreement with the LABF.
- Hold, safeguard, and, when applicable, accurately price the assets of the LABF.
- Collect interest, dividends, distributions, redemptions, and any other amounts due to the LABF.
- Monitor all necessary investment activity.
- Provide periodic summaries of transactions, asset valuations, and other related reports as deemed appropriate.
- Sweep all residual cash in each account on a daily basis into an investment-grade short-term money market fund, cash vehicle, or cash-equivalent vehicle.
- Perform other services customarily performed by a custodian and as described in the custodial agreement (e.g. foreign exchange, U.S. class action filing, etc.)

Responsibilities of the Securities Lending Agent(s)

The LABF participates in a securities lending program with respect to its separately managed accounts and may have additional securities lending exposure via its commingled fund investments. The purpose of the securities lending program is to provide incremental income by lending securities to qualified borrowers.

The LABF's securities lending agent(s) shall:

- Comply with all applicable laws, regulations, rulings, and contract documents.
- Limit loan periods to a maximum of one year.
- Perform appropriate due diligence on borrowers.
- Ensure that adequate collateral is provided to the LABF for the securities that are lent and that the income generated by the securities lending program is fair and reasonable.
- Make every reasonable attempt to recall securities on loan before any transactions involving the lent securities settle.

- Manage the investment of cash collateral in a manner consistent with the guidelines agreed to by contract and consistent with the risk/return characteristics of the LABF with the predominant focus being capital preservation.
- Provide necessary reporting on a periodic basis (usually monthly or quarterly) to Investment Staff, investment consultant(s), and the LABF's custodian.

Responsibilities of Outside Legal Counsel(s)

As it pertains to investment-related matters, the Board's outside legal counsel has the following responsibilities:

- Proactively provide the Board and Investment Staff with advice regarding compliance with applicable laws and regulations.
- Review and provide advice with respect to investment management agreements, limited partnership agreements, side letters, and other contractual agreements with investment managers.
- Review and provide advice with respect to contracts with investment service providers.
- Provide assistance on an as-needed basis with respect to any other legal matters related to investments.

Responsibilities of the City Treasurer

The Treasurer of the City of Chicago shall be *ex-officio* treasurer and custodian of the LABF. The Board may supplement the Treasurer's responsibility by utilizing the services of a master custodian, or another custodian for a specific investment, for the safekeeping of cash and securities.

RISK MANAGEMENT

All investment decisions have a risk component. The Board, with assistance from the Investment Staff and its investment consultant(s), shall determine an appropriate risk level for the LABF. Determining the risk tolerance level shall serve as the first step in crafting an appropriate target asset allocation, setting investment goals and objectives, and making other investment-related decisions. Understanding that risks evolve over time based on a number of factors including, but not limited to, changes in the market environment and the LABF's financial situation, the Investment Staff and investment consultant(s) shall monitor risks and report any material changes in the LABF's overall risk profile to the Board.

INVESTMENT GOALS AND OBJECTIVES

The Board sets the goals and objectives of the investment portfolio solely in the interest of the LABF's participants and their beneficiaries. The performance objectives of the investment program are threefold:

1. Meet or exceed the actuarial return assumption (see Appendix B: Assumed Investment Rate of Return and Policy Benchmark), net-of-fees, over time with a level of risk deemed appropriate by the Board while maintaining liquidity sufficient to cover benefit payments and other financial obligations.

2. Outperform the policy benchmark (see Appendix B: Assumed Investment Rate of Return and Policy Benchmark), net of fees, on a risk-adjusted basis over a market cycle (typically a three- to five-year period).

3. Rank in at least the top half of the peer universe of comparable institutional investors with similar risk/return parameters consistently over time.

PORTFOLIO EVALUATION AND REPORTING

The investment consultant(s) and Investment Staff will evaluate the investment portfolio on, at least, a quarterly basis. The investment consultant(s) and Investment Staff will meet with the various investment managers and the Board on a regular basis to review any changes to the investment guidelines and to analyze the investment performance and structure of the investment program.

Investment Manager Performance Goals and Objectives:

- Each investment manager is expected to outperform the agreed-upon benchmark, net-of-fees, on a risk-adjusted basis over a market cycle (typically a three- to five-year period).
- The total net-of-fees return for the mandate should rank above the median within the respective peer universe.
- The investment manager shall attempt to achieve its return objectives while maintaining an appropriate level of risk as specified in the investment manager's guidelines.

The investment consultant(s) and or Investment Staff will promptly review with the Board any material shortfall in performance relative to the performance objectives.

The investment managers shall also provide written reports to the Board, Investment Staff, and investment consultant(s) on a quarterly basis. An investment manager's quarterly reports shall typically include:

- Portfolio and market commentary/outlook
- Organizational updates (e.g. changes in personnel, management, ownership, etc.)
- Market value of investments
- List of all client-directed cash flows in and out of the account since inception (i.e. allocations to and redemptions from the LABF's account)
- Gross and net-of-fees performance versus the benchmark for the most recent quarterly, year-to-date and relevant longer-term periods
- Calendar year returns (net of fees) versus the benchmark for all periods since inception
- Attribution analysis
- Investment fees for quarterly, year-to-date and inception-to-date periods
- If applicable, brokerage activity data for quarterly and year-to-date periods
- If applicable, capital account statement for quarterly, year-to-date and inception-to-date periods
- Additional reasonable information as requested by the Board, Investment Staff, or investment consultant

INVESTMENT MANAGER WATCH LIST

When evaluating an investment manager, the Board utilizes a "watch list" process to identify managers that require closer monitoring. Circumstances that may trigger the Board to place a manager on watch include:

- Poor performance of account relative to stated goals and objectives over a market cycle (typically a three- to five-year period)
- Material violations of the investment guidelines
- Failure to comply with the terms of the contract or agreement with the LABF
- Sale or merger of the investment management firm
- Changes in key personnel
- Material changes in investment philosophy, process, or style
- Legal or regulatory action taken against the investment management firm
- Unsatisfactory client service
- Noncompliance with the Board's M/W/DBE Broker-Dealer Utilization Policy (See: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy)*

While on watch, investment managers may be required to meet with the Board and submit regular status reports. Removal from the watch list usually results from either the manager resolving the issue(s) that led to it being placed on watch or the Board deciding to terminate the account.

The Board will evaluate investment managers placed on watch for performance-related issues based on the manager's risk-adjusted performance versus their stated benchmark. Investment managers will also be evaluated versus the appropriate peer universe and are expected to maintain net-of-fees performance above the peer median for three- and five-year time periods.

Understanding that every situation is unique, the Investment Staff and investment consultant may recommend to the Board additional criteria and a reasonable period over which to evaluate an investment manager while on the watch list.

INVESTMENT GUIDELINES

The Board retains external investment managers to implement the target asset allocation. The investment guidelines for a separate account are set at the time the Board retains the manager and are included in the contract or agreement between the LABF and the investment manager. The Board and the investment manager may amend the guidelines in writing. No deviation from the investment guidelines and objectives established in the contract or agreement between the LABF and the investment manager shall occur unless agreed to in writing by the LABF. Each investment manager must immediately inform the Board, Investment Staff, and the appropriate investment consultant in writing regarding any deviation from the guidelines in the contract or agreement, as well as any material changes in investment strategy or portfolio structure.

INVESTMENT MANAGER AND INVESTMENT CONSULTANT SEARCH PROCESS

With respect to an investment manager or investment consultant search, the Board will follow the procedures identified in *Appendix C: Procurement Policy for Investment Advisers and Consultants.*

In accordance with Illinois Pension Code (40 ILCS 5/1-109.1), the Board has adopted a policy setting forth goals for utilization of investment management firms that are businesses owned by minorities, women, and persons with disabilities. The Board's policy is included in *Appendix D: M/W/DBE / Emerging Investment Manager Utilization Policy*.

In consideration of Section 1A-108.5 of the Illinois Pension Code (40 ILCS 5/1A-108.5) encouraging pension funds to promote the economy of the State of Illinois through the use of economic opportunity investments, the LABF will consider such investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

ASSET ALLOCATION

The Board shall maintain an appropriate asset allocation. The current target asset allocation is included in this Policy as *Appendix A: Target Asset Allocation.* The Board, Investment Staff, and investment consultant(s) will review the asset allocation at least annually and consider changes as deemed prudent.

Although it is the Board's intention to maintain an allocation within the long-term allocation target ranges, the Board may choose to allow the actual allocation to remain outside the target range if it believes market conditions warrant doing so. The Board recognizes that certain allocations are illiquid in nature (e.g. private equity, real estate, etc.) and may remain outside the target allocation range for extended periods of time.

In implementing the target asset allocation, the Board may utilize both active and passive management. Active management is utilized in an attempt to exceed the performance of a certain index by a mutually agreed upon level, net of fees. Passive management is utilized to mimic the performance of a specific index. Active management is generally more expensive than passive management. Therefore, the Board utilizes active management when it believes there is inefficiency in the market or there is a reasonable probability of achieving a net-of-fees return premium over the associated index. Assets may be held in commingled funds or separate accounts.

LIQUIDITY NEEDS AND PORTFOLIO REBALANCING

The Board delegates to the Executive Director the authority to liquidate assets, as necessary, to cover benefit payments and other financial obligations, including capital calls pertaining to certain closed-ended investment funds. Liquidity will be primarily drawn from asset classes that exceed their respective allocation targets to help move the LABF's overall asset allocation closer to target allocations specified in *Appendix A.* The Executive Director will report such liquidity events to the Board.

Additionally, due to fluctuations in asset values, the investment portfolio may need to be rebalanced occasionally by shifting assets from one asset class or investment account to another in order to maintain asset allocations that are in line with the approved target ranges. In these instances, the investment consultant and Investment Staff will bring a rebalancing plan to the Board for its approval. Upon approval by the Board, the Investment Staff will work to transition the assets.

CORPORATE GOVERNANCE

Proxy Voting

The LABF delegates the responsibility of voting proxies to the investment manager who purchased the security on its behalf. Each investment manager shall have full discretionary authority to vote the proxies. As fiduciaries, investment managers shall exercise voting rights solely in the best interest of LABF, its participants and their beneficiaries. In fulfilling its obligation, the manager will act in a manner deemed to be prudent and diligent, and which is intended to enhance the economic value of the underlying security held.

On an annual basis (by January 31st of each year), each investment manager shall provide the Investment Staff with a copy of the manager's proxy voting policy and a written report detailing each proxy vote made during the prior calendar year.

Securities Litigation (Class Actions) Policy

The LABF monitors pending and potential securities litigation cases and participates as appropriate to protect its members' interests.

Monitoring and reporting of potential litigation is carried out by the LABF's outside securities litigation firms. The firms may make recommendations to the LABF and to the LABF's legal counsel(s) in situations where explicit legal action may be taken by the LABF, such as petitioning for status as a lead plaintiff in a class action lawsuit, bringing a derivative action against a corporation, or participating in any form of collective litigation related to securities purchased or sold outside of the United States. Depending on the merits of the recommendation, the matter will be referred to the Board for consideration. Board approval is required before such action can be taken.

The LABF utilizes class action claim filing services offered by the master custodian. The master custodian will pursue the LABF's interest through the claim process and will complete the appropriate forms and provide the proper supporting documents to protect the LABF's claims. The LABF's master custodian will provide periodic reporting related to the pending and settled class action litigation in which the LABF has an interest.

BOARD AUTHORITY TO IMPOSE INVESTMENT RESTRICTIONS

From time-to-time, the Board may establish certain investment restrictions at the overall LABF level that shall be instituted in addition to mandate-specific restrictions found in individual investment manager contracts. Subject to an investment manager's exercise of fiduciary duties, the investment manager shall comply with such restrictions. See *Appendix F: Restrictions on Investment* for a current list of such restrictions.

AMENDMENTS TO THE INVESTMENT POLICY STATEMENT

The Board may amend this Investment Policy Statement at any time. If changes are made to the Investment Policy Statement, the Board shall file a copy of the new policy with the Illinois Department of Insurance within 30 days as specified in the Illinois Pension Code. [40 ILCS 5/1-113.6]

APPENDICES

APPENDIX A. TARGET ASSET ALLOCATION

	Minimum	Target	Maximum
Fixed Income:			
Core U.S. Fixed Income	5.0%	10.0%	15.0%
Liquid Opportunistic Credit	2.0%	7.0%	12.0%
Emerging Markets Debt	0.0%	3.0%	6.0%
Total Fixed Income	**15.0%**	**16.0%**	**25.0%**
Equity:			
U.S. Large Cap	11.0%	16.0%	21.0%
U.S. Small/Mid Cap	4.0%	9.0%	14.0%
International Developed Markets Large Cap	5.0%	10.0%	15.0%
International Developed Markets Small Cap	0.0%	5.0%	10.0%
Emerging Markets	0.0%	5.0%	10.0%
Global Equity	0.0%	5.0%	10.0%
Total Equity	**40.0%**	**54.0%**	**60.0%**
Alternatives			
Real Estate	5.0%	10.0%	15.0%
Private Real Assets	0.0%	3.0%	6.0%
Private Equity	1.0%	4.0%	7.0%
Private Debt	0.0%	3.0%	6.0%
Hedge Funds	5.0%	10.0%	15.0%
Total Alternatives	**20.0%**	**30.0%**	**40.0%**

Adopted October 5, 2017

APPENDIX B. ASSUMED INVESTMENT RATE OF RETURN AND POLICY BENCHMARK

ASSUMED INVESTMENT RATE OF RETURN

Effective January 1, 2018

7.25%

POLICY BENCHMARK

Adopted October 5, 2017
Effective November 1, 2018

10%	Barclays Capital U.S. Aggregate Index (Fixed Income)
03%	JPM GBI-EM Global Diversified Index (Fixed Income)
07%	50% Barclays High Yield/50% CSFB Leveraged Loan Index (Fixed Income)
16%	S&P 500 Index (U.S. Equity)
09%	Russell 2500 Index (U.S. Equity)
10%	MSCI EAFE (Non-U.S. Equity)
05%	MSCI EAFE Small Cap Index (Non-U.S. Equity)
03%	MSCI Emerging Markets Index (Non-U.S. Equity)
02%	MSCI Emerging Markets Small Cap Index (Non-U.S. Equity)
05%	MSCI ACWI Minimum Volatility (Global Equity)
03%	Credit Suisse FB Leveraged Loan Index (Private Debt)
03%	LIBOR + 4% (Infrastructure)
05%	HFRI Equity Hedge (Hedge Funds)
05%	HFRI Equity Relative Value Index (Hedge Funds)
04%	Cambridge All Private Equity (Private Equity)
05%	NCREIF ODCE (Real Estate)
05%	NCREIF Property Index (Real Estate)

APPENDIX C. PROCUREMENT POLICY FOR INVESTMENT ADVISERS AND CONSULTANTS

A. Introduction

The Board of Trustees ("Board") of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF") establishes the following Procurement Policy ("Policy") so that decisions to procure investment services from an investment adviser/manager or investment consultant will be made based on the principles of competitive selection, full disclosure, objective evaluation, and proper documentation. This Policy is not meant to limit the Board's right to modify current mandates or rebalance the LABF portfolio when prudent.

Pursuant to Section 1-113.14(b) of the Illinois Pension Code, contracts for investment services shall be awarded by the Board using a competitive process that is substantially similar to the process required for the procurement of professional and artistic services under Article 35 of the Illinois Procurement Code (30 ILCS 500/35 et seq.). Exceptions to this requirement are allowed for:

1. Sole source procurements;
2. Emergency procurements;
3. At the discretion of the Board, contracts having a value of less than $20,000 that are nonrenewable and one year or less in duration; and
4. At the discretion of the Board, contracts for follow-on funds with the same fund sponsor through closed-end funds.

All exceptions granted shall be published on LABF's website and shall include a brief explanation of the reason for the exception.

B. Competitive Search Procedures for Investment Advisers

1. Search Initiation

   a. The Board shall approve a search for an investment adviser and the parameters of the search.
   b. Uniform documents shall be used for the solicitation, evaluation, and hiring of investment advisers. Such documents shall include the requirements set forth in the Illinois Pension Code, including, but not limited to Section 1-113.14(c).
   c. Notice of an investment adviser search shall be published on LABF's website in the form of a Request for Proposals ("RFP") at least 14 calendar days before the RFP responses are due.

2. Search Documents. At a minimum, RFP documents shall contain the following:

   a. Scope of services.
   b. Disclosure of the Quiet Period.
   c. Amount of assets expected to be awarded.
   d. Date by which responses to the search shall be submitted.
   e. Description of the necessary qualifications.
   f. Evaluation factors.
   g. Copy of LABF's Investment Policy Statement, with notice that such Policy is subject to change.
   h. Copy of LABF's Ethics Policy.
   i. Requirement that the response to the RFP shall contain all required disclosures, as applicable, set forth in Sections 1-113.14(c) and 1-113.21 of the Illinois Pension Code.
   j. Statement that contingent and placement fees are prohibited.

k. Statement that RFP responses are subject to the Illinois Freedom of Information Act (5 ILCS 140).
l. Delivery method of the RFP response.

3. Evaluation of Responses to the RFP. Responses will be evaluated initially by LABF Investment Staff and/or the investment consultant based, in general, on the following evaluation factors:

   a. Firm stability – including: legal structure, ownership, profitability, sufficiency of assets under management to sustain business, product offering diversity, capital flows, growth trends.
   b. Team – including: tenure, experience working together, employment contracts, incentive structure, size of portfolio manager investment in the portfolios they manage, team member interviews, signs of problems (attrition, employee turnover, etc.).
   c. Strategy/process – including: security screening process, portfolio construction methodology, style drift, decision making process, sell discipline.
   d. Performance – including: consistency of returns, risk adjusted returns, consistency with regard to components adding alpha, risk levels, net-of-fees performance relative to benchmarks and peers.
   e. Compliance – trading restrictions, auditors, technology infrastructure, security, disaster recovery, legal/regulatory.
   f. Client servicing – team assigned, proper communication, responsiveness, accuracy.

The LABF investment staff and/or the investment consultant will identify to the Board the investment advisers that do not meet the minimum requirements as specified in the RFP, if any, and the investment advisors that are believed to be the most qualified, providing a basis for each determination. The Board will select the finalist(s) that will be invited to make a presentation to the Board.

4. Diverse Investment Advisers.
   a. For the purposes of this section, "emerging investment manager" means a qualified Investment Adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a Minority-Owned Business, Women-Owned Business, or Business Owned by a Person with a Disability, as those terms are defined in the Business Enterprise for Minorities, Women and Persons with Disabilities Act, 30 ILCS 575/2.

   b. For purposes of this section, "minority investment manager" means a qualified Investment Adviser that manages an investment portfolio and is a Minority-Owned Business, Women-Owned Business, or Business Owned by a Person with a Disability, as those terms are defined in the Business Enterprise for Minorities, Women and Persons with Disabilities Act, 30 ILCS 575/2, (collectively, "Diverse Investment Advisers").

   c. The LABF makes every attempt to establish search criteria that encourage Diverse Investment Advisers to submit responses.

   d. In accordance with Sections 1-109.1 (4) and (9) of the Illinois Pension Code,40 ILCS 5/1-109.1 (4) and (9), if one or more Diverse Investment Advisors meet the criteria established by the Board for a search, the Board shall invite the most qualified firm or firms to make a presentation to the Board for consideration for a contract.

   e. The Board shall verify the Investment Adviser's status as a Minority Owned Business, Women Owned Business, or Business Owned by a Person with a Disability.

5. Quiet Period. There shall be a quiet period to ensure that: prospective investment advisers have equal access to information regarding the search; communications related to the selection are consistent and accurate; and the process of selecting an investment adviser is efficient, diligent, and fair.
   The quiet period shall commence upon the Board's authorization of a search and end upon either the completion of all contracts or agreements associated with the search or cancellation of the search. During the quiet period, members of the Board and the LABF investment staff shall not knowingly communicate

with any party financially interested in any prospective contract or agreement with the LABF regarding the contract or agreement, the services to be provided, or the selection process; however, the quiet period does not apply to communications that are:

a. part of the process described in the RFP documents;
b. part of a scheduled Board meeting;
c. related to services currently provided by the prospective investment adviser under an existing contract or agreement with the LABF; or
d. incidental or do not involve LABF or its investments.

Further, during the quiet period, Board members, LABF investment staff, or LABF investment consultant, shall not accept meals, travel, lodging, entertainment, or any other good or service of value from any candidate or from any firm that is reasonably known to be interested in being a candidate.

6. Presentations. One or more finalists will be invited to make a presentation to and interview with the Board at a scheduled Board meeting. The Board may, at its own discretion, require one or more finalists to supply additional information, make subsequent presentations, and/or attend subsequent interviews prior to awarding a contract.

7. Award of Contract

    a. The Board shall determine which investment adviser(s), if any, will be awarded the contract and the amount of assets to be awarded.
    b. The Board and its agents shall negotiate the terms of any contract or agreements with the investment adviser(s).
    c. Nothing shall prohibit the Board from making a selection that in the Board's judgment represents the best value based on qualifications, fees, and other relevant factors established for the search being considered.

8. Notice of Contract. Following the execution of the contract(s), the Board's decision shall be posted on the LABF's website. Such notice shall include the name of the investment adviser(s) awarded a mandate, the total amount of the mandate, the basis for determining the total fees to be paid, and a disclosure describing the factors that contributed to the selection of the investment adviser.

C. Competitive Search Procedures for Investment Consultant.

The search procedures for an investment consultant shall mirror the search procedures for an investment adviser as specified above in all material respects, with the following exceptions:

a. The responsibilities of the investment consultant with respect to a search for investment adviser shall be assumed by LABF Investment Staff with respect to a search for investment consultant.

b. The LABF shall not enter into a contract with an investment consultant that exceeds five (5) years in duration. No contract to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the investment consultant is eligible to compete for a new contract as provided in this section.

APPENDIX D. M/W/DBE / EMERGING INVESTMENT MANAGER UTILIZATION POLICY

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ('LABF") is committed to providing opportunities for minority owned business entities, women owned business entities, and business entities owned by a person with a disability as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/2).

Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(4)), the LABF Board of Trustees has adopted the following minimum goals for the utilization of Emerging Investment Managers.

Goals for the Utilization of Emerging Investment Managers:

By Ownership:

Investment Manager Classification	As a Percentage of Total LABF Assets
Minority Owned Business Entity	13% to 15%
Women Owned Business Entity	2% to 4%
Disabled Owned Business Entity	Best Efforts

By Asset Class:

Asset Class	As a Percentage of Total Asset Class
Equity	18% to 20%
Fixed Income	7% to 9%
Alternatives	11% to 16%

40 ILCS 5/1-109.1(4) defines "emerging investment manager" as a "qualified investment adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a "minority-owned business", "women-owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act."

Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(9)), beginning February 1, 2015, the LABF Board of Trustees has also adopted the following policy setting minimum goals for the utilization of Minority Investment Managers.

Goals for the Utilization of Minority Investment Managers by Classification:

Investment Manager Classification	As a Percentage of Total LABF Assets
Minority Owned Business Entity	15% to 23%
Women Owned Business Entity	2% to 5%
Disabled Owned Business Entity	Best Efforts

40 ILCS 5/1-109.1(9) defines "minority investment manager" as "a qualified investment manager that manages an investment portfolio and meets the definition of "minority-owned business", "women-owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act."

These goals will be reviewed annually.

Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(10)), beginning January 1, 2016, it shall be the aspirational goal for LABF:

- to use emerging investment managers for not less than 20% of the total funds under management.
- that not less than 20% of investment advisers be minorities, women, and persons with disabilities.

Adopted November 17, 2009
Last amended March 19, 2019.

APPENDIX E. M/W/DBE BROKER-DEALER UTILIZATION POLICY

The Laborers’ and Retirement Board Employees’ Annuity and Benefit Fund of Chicago (‘LABF”) is committed to providing opportunities for minority owned business entities, women owned business entities, and business entities owned by a person with a disability as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/2).

Pursuant to the Illinois Pension Code (40 ILCS 5/1-109.1(7)), LABF Board of Trustees (the “Board”) adopted the following M/W/DBE broker-dealer utilization policy. Where specific minority broker-dealer utilization goals are not set or do not apply, the Board encourages the investment managers to make a best-efforts attempt to utilize minority broker-dealers.

Investment managers of separately managed accounts, subject to best execution and their fiduciary duty to LABF in the management of LABF assets, shall make a best effort to adhere to the following minimum M/W/DBE broker-dealer utilization goals:

Asset Class	As a Percentage of Total Commissions
Domestic Equity (Large, Mid, and Small Cap Equity)	40%
Global Equity	30%
International Equity	20%
International Equity – Small Cap	10%
Emerging Markets Equity	10%
	As a Percentage of Total Par Value Traded
Fixed Income	25%

Investment managers shall not utilize indirect methods, such as “step-out” commissions, to achieve these goals. Therefore, to meet LABF’s M/W/DBE goals, all trades must be executed directly with the M/W/DBE broker-dealers.

In consideration of Section 1A-108.5 of the Illinois Pension Code (40 ILCS 5/1A-108.5), the Board encourages the utilization of qualified broker-dealers that have an office in Chicago or within the State of Illinois.

Each investment manager shall submit a compliance report to LABF on a quarterly basis in a format as reasonably requested by LABF. LABF investment staff will report to the Board annually on the utilization of M/W/DBE broker-dealers. If an investment manager fails to comply with the above guidelines on a calendar basis, they may be asked to appear before the Board and explain why they were unable to achieve the M/W/DBE utilization goals. Failure by an investment manager to meet the M/W/DBE brokerage goals will be considered a factor when evaluating overall performance of the investment manager.

This policy will be reviewed annually.

Adopted December 17, 2002
Last amended March 19, 2019

APPENDIX F. RESTRICTIONS ON INVESTMENT

The restrictions set forth below apply to separate accounts holding publicly traded equity and fixed-income securities. With respect to all other investments, the Board strongly encourages adherence to these restrictions.

Unless the LABF provides its investment managers with a list of specifically restricted investments, it shall be the responsibility of the investment manager to determine a reasonable basis by which to identify such restricted investments and make a reasonable effort to adhere to such restrictions.

List of current restrictions:

Assault Weapon Manufacturer
Adopted February 18, 2014

Subject to an investment manager’s exercise of fiduciary duties, investment managers should refrain from purchasing or holding securities of an assault weapon manufacturer if the manager determines that the same investment goals concerning risk, return, and diversification can be achieved through the purchase or holding of another security.

For the purposes of this policy, “assault weapon manufacturer” shall mean any entity that manufactures prohibited assault weapons for civilian use. “Prohibited assault weapon” shall have the same meaning as the term “assault weapon” in the Municipal Code of Chicago.

These Assault Weapon Manufacturer restrictions shall expire, by their terms, on May 31, 2020, unless extended by further Board action.

MUNICIPAL EMPLOYEES', OFFICERS' AND OFFICIALS' ANNUITY AND BENEFIT FUND OF CHICAGO

A PENSION TRUST FUND OF THE CITY OF CHICAGO

INVESTMENT POLICY STATEMENT

Adopted by the Board of Trustees
April 22, 2014

Amended July 1, 2019

Table of Contents

INTRODUCTION

The Retirement Board of the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago (the "Board") adopted this Investment Policy Statement on April 22, 2014. The Board expects to review this Investment Policy Statement at least annually.

The Municipal Employees', Officers' and Officials' Annuity & Benefit Fund of Chicago (the "Fund") is a single-employer defined benefit public pension fund. The Fund was created in 1922 by virtue of an Act of the State of Illinois Legislature. The Fund is administered in accordance with Illinois Pension Code, Chapter 40, Act 5, Articles 1, 8 and 20. The complete text that governs the Fund can be reviewed on the State of Illinois' website (www.state.il.us.) This Investment Policy Statement applies solely to the Fund's investment assets.

MISSION STATEMENT

The Board has established the following mission:

Our mission is to provide benefits for our members, and our goals are to provide excellent service and preserve the fiscal integrity and financial stability of the Fund.

STATEMENT OF PURPOSE

The purpose of this document and its attached appendices is to set forth the Board's investment objectives and procedures relating to the investment of Fund's assets in accordance with the Illinois Pension Code and to define the duties and responsibilities of the Board, acting in a fiduciary capacity, and all agents acting on the Board's behalf.

The provisions of the Illinois Pension Code specifically referring to the definitions, duties and responsibilities of a fiduciary include (in condensed form):

- a fiduciary is anyone who has discretion in managing pension fund assets or in administering the pension fund, or who renders investment advice for direct or indirect compensation. [40 ILCS 5/1-101.2.]
- a fiduciary must discharge its duties to the pension fund for the exclusive purposes of providing benefits to participants and beneficiaries, and defraying administrative expenses of the pension fund. [40 ILCS 5/1-109(a).]
- a fiduciary must discharge its duties to the pension fund with the same care, skill, prudence and diligence that a prudent person would use in a similar enterprise. [40 ILCS 5/1-109(b).]
- a fiduciary must discharge its duties to the pension fund by diversifying the investments to minimize the risk of large losses, unless prudence dictates otherwise. [40 ILCS 5/1-109(c).]
- a fiduciary must discharge its duties to the pension fund in accordance with Articles 1 and 8 of the Illinois Pension Code. [40 ILCS 5/1-109(d).]
- a fiduciary must not cause the pension fund to engage in prohibited transactions. A fiduciary must not deal with the pension fund's assets for its own interest, or on behalf of any party whose interests are adverse to the pension fund or its participants or beneficiaries. [40ILCS 5/1-110(b)(3)]

The Investment Policy Statement is intended to comply with the provisions of the Illinois Pension Code. In the event of a conflict between the Investment Policy Statement and the Illinois Pension Code, the Illinois Pension Code governs.

DELEGATION OF RESPONSIBILITIES

In accordance with the Illinois Pension Code [40 ILCS 5/1-109.1], the Board has the ability to delegate fiduciary duties to other parties as it relates to the prudent investment of Fund assets. The following is a description of the primary investment-related responsibilities of those parties. This summary is meant to serve as a guide and a communication aid for the parties with responsibilities related to the Fund's investment program.

Responsibilities of the Board

The Board is responsible for carrying out the requirements of the law governing the Fund, developing policies for Fund administration and creating goals and objectives for the exclusive benefit of the Fund, its participants and their beneficiaries. The Board shall:

- Adopt an Investment Policy Statement and monitor the implementation of the Investment Policy Statement.
- Adopt necessary ancillary directives to augment the Investment Policy Statement.
- Set investment goals, objectives and guidelines.
- Diversify Fund assets to minimize non-systematic risk.
- Select and retain investment consultant(s) and outside legal counsel(s) that will assist the Board and the Fund's investment staff in making investment-related decisions.
- Use available information and resources, including advice from the investment consultant(s), outside legal counsel(s) and the Fund's investment staff, to select and retain investment managers and other professionals as needed to assist in the administration and implementation of the Fund's investment program.
- On a quarterly or other periodic basis, review asset allocation, investment manager performance and the conduct of all professionals associated with the investment of Fund assets.
- Defray reasonable expenses.
- Initiate an asset/liability study and asset allocation review at least every three to five years.
- Periodically review and update the Fund's Signature Resolution authorizing Board-approved staff members to sign certain documents on behalf of the Board.

All authority related to the Board shall be exercised solely by the Board as a whole and not by an individual Board member.

Responsibilities of Fund Staff

The Executive Director is appointed to oversee the administration of the Fund (Benefits, Investments, Accounting, etc.) and to execute Board policy and other directives as the Board may set. The internal investment staff reports to the Chief Investment Officer (collectively, the "Investment Staff") who in turn reports to the Executive Director and the Board.

The Executive Director has the following responsibilities:

- Communicate with the Board regarding important investment-related matters.
- Monitor the activities of the Investment Staff to ensure compliance with Board objectives and that the Investment Staff's responsibilities are being carried out prudently; provide recommendations and/or direction to the Investment Staff as necessary.
- Ensure that proper controls are in place to safeguard Fund assets.
- After keeping the Board apprised of material issues arising throughout the contract negotiation process and upon successful negotiations, execute contracts with Board-approved investment service providers and report to the Board regarding the execution of such contracts at the Board's next regularly scheduled meeting. In the Executive Director's absence, the Chief Investment Officer shall have this responsibility.
- Execute routine contract amendments (i.e. amendments that do materially alter the contractual arrangement) with existing Board-approved investment service providers and report to the Board regarding such amendments at the Board's next regularly scheduled meeting. In the Executive Director's absence, the Chief Investment Officer shall have this responsibility.

The Investment Staff has the following responsibilities:

- Act as a liaison between the Board and the Fund's external investment managers.
- Monitor the performance of the investment portfolio.
- Make certain that proper liquidity is in place to cover pension benefits and other financial obligations.
- Ensure that investment activity is properly recorded to the Fund's account ledger in a timely fashion.
- Work closely with the Board to ensure goals and objectives are met.
- Ensure that performance reports from the investment managers are received in a timely fashion and are an accurate reflection of performance.

- Communicate with the Board concerning investment performance and other matters of importance relating to the Fund's investment portfolio.
- Serve on limited partnership advisory boards for the Fund's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the Fund, its participants and their beneficiaries.
- Review and approve annual compliance reports supplied by investment managers (see: *Appendix G: Form of Investment Manager Annual Compliance Certificate*).

Responsibilities of the Investment Consultant(s)

Independent investment consultants are retained by the Board to provide expert advice, counsel and support as it relates to the Fund's investment program. The investment consultant(s) shall:

- Provide advice that aids the Board in determining the most effective investment program and the proper allocation of assets.
- Measure investment performance results, evaluate the investment program and advise the Board as to the performance and continued appropriateness of each investment manager.
- Provide the Board and Investment Staff with regular performance reporting including, but not limited to, comprehensive quarterly reports and monthly summary reports.
- Recommend modifications to the investment policies, objectives and guidelines as appropriate.
- Promptly inform the Board and Investment Staff regarding significant matters pertaining to the investment of Fund assets.
- Conduct, or assist in conducting, searches for investment managers and other investment-related service providers.
- Provide reasonable additional support to the Board and Investment Staff on an as-needed or project-specific basis in accordance with the Board's procurement policies.
- Serve on advisory boards for the Fund's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the Fund, its participants and their beneficiaries.

Responsibilities of the Investment Manager(s)

The investment manager(s) hired by the Fund shall:

- Comply with all applicable laws, regulations, rulings and contract documents; promptly inform the Board, Investment Staff and investment consultant regarding any instance of non-compliance.
- Manage the portion of the Fund's assets under its control in accordance with the policy objectives and guidelines established by contract.
- Exercise full investment discretion within the established policies and guidelines with regard to buy, hold and sell decisions for the assets under management.
- On at least a quarterly basis, reconcile the account's positions with the Fund's custodian.
- Promptly inform the Board, Investment Staff and investment consultant regarding significant matters pertaining to the investment of the Fund's assets, including, but not limited to, changes in ownership, organizational structure, investment strategy, portfolio design, composition of the investment team and legal issues. The Fund should receive notice within five business days of such events.
- Provide timely reporting to the Fund regarding account activity, performance results and any other reasonable information requested by the Fund.
- Comply with the Fund's brokerage goals, as applicable (see: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*).
- If applicable, make reasonable commercial efforts to minimize the generation of Unrelated Business Taxable Income ("UBTI"); any UBTI generated by the Fund's investments shall be reported to the Fund annually.
- Annually certify compliance with the Fund's Investment Policy Statement as well as all contractual agreements between the investment manager and the Fund (see: *Appendix G: Form of Investment Manager Annual Compliance Certificate*).

Responsibilities of the Custodian(s)

The Fund's custodian(s) shall:

- Act in accordance with relevant custodial agreement.

- Hold, safeguard and, when applicable, accurately price the assets of the Fund.
- Collect interest, dividends, distributions, redemptions and any other amounts due to the Fund.
- Report all necessary investment activity to Fund staff and the investment consultant.
- Prepare periodic summaries of transactions, asset valuations and other related information as deemed appropriate.
- Sweep all residual cash in each account on a daily basis into an investment-grade short-term money market fund, cash vehicle or cash-equivalent vehicle.

Responsibilities of the Securities Lending Agent(s)

The Fund’s securities lending agent(s) shall:

- Comply with all applicable laws, regulations, rulings and respective contract documents.
- Limit loan periods to a maximum of one year.
- Perform reasonable due diligence on all borrowers.
- Ensure that adequate collateral is provided to the Fund for the securities that are lent and that the income generated by the securities lending program is fair and reasonable.
- Make every reasonable attempt to recall securities on loan before any transactions involving the lent securities settle.
- Manage the investment of cash collateral in such a manner consistent with the guidelines agreed to by contract and consistent with the risk/return characteristics of the Fund with the predominant focus being capital preservation.
- Provide necessary reporting on a periodic basis to Investment Staff, investment consultant(s) and the Fund’s custodian(s).
- Annually certify compliance with the Investment Policy Statement and relevant contractual agreements.

Responsibilities of Outside Legal Counsel(s)

As it pertains to investment-related matters, the Board’s outside counsel has the following responsibilities:

- Proactively provide the Board and Investment Staff with advice regarding compliance with applicable laws and regulations.
- Review and provide advice with respect to new investment management agreements, limited partnership agreements, side letters and other contractual agreements with investment managers.
- Review and provide advice with respect to contracts with investment service providers.
- Provide assistance on an as-needed basis with respect to any other legal matters related to investments of the Fund.

Responsibilities of the City Treasurer

The Treasurer of the City of Chicago shall be ex-officio treasurer and custodian of the Fund. The Board may supplement the Treasurer’s responsibility by utilizing the services of a master custodian, or other custodian, for the safekeeping of cash and securities. The Fund’s custodian, in accordance with the custodial agreement, provides for the proper accounting of portfolio activity, direct access to account information and other necessary services.

RISK MANAGEMENT

Risk management is essential to the Fund’s mission and to the success of the Fund’s investment program. Most investment decisions have a risk component that must be considered. When making investment decisions, the Board shall make a reasonable effort to consider all risks—liquidity risk, market risk, business risk, credit risk, currency risk, interest rate risk, inflationary risk, etc.— within the context of the Fund’s overall portfolio. The Board, with assistance from the Investment Staff and its investment consultant(s), shall, taking into account the Fund’s ability and willingness to assume risk, determine an appropriate risk tolerance level for the Fund. Determining the risk tolerance level shall serve as the first step in crafting an appropriate target asset allocation, setting investment goals and objectives, and making other investment-related decision. Understanding that risks evolve over time based on a number of factors including, but not limited to, changes is market environment and the Fund’s financial situation, the Investment Staff and investment consultant(s) shall monitor risks and report any material changes in the Fund’s overall risk profile to the Board.

INVESTMENT GOALS AND OBJECTIVES

Portfolio Goals and Objectives at the Overall Fund Level:
The Board sets the goals and objectives of the investment portfolio solely in the interest of the Fund, its participants and their beneficiaries. The performance objectives of the Fund are threefold:

1. The Fund is to meet or exceed its actuarial return assumption of 7.5% on a net-of-fees basis over time with a level of risk deemed appropriate by the Board while maintaining liquidity sufficient to cover benefit payments and other obligations.

2. The Fund is to outperform the risk-adjusted return, net-of-fees, of the policy benchmark outlined in Appendix B: Policy Benchmark over a market cycle (typically a three- to five-year period).

3. The Fund is to rank in at least the top half of the investment consultant's universe of comparable institutional investors with similar risk/return parameters consistently over time.

Investment Manager Goals and Objectives:
- Each investment manager is expected to outperform the agreed-upon benchmark on a risk-adjusted-basis over a market cycle (typically a three- to five-year period).
- The total net-of-fees return for the mandate should rank above the median within the respective peer universe.
- The investment manager shall attempt to achieve its return objectives while maintaining an appropriate level of risk as determined by the Board and/or as specified in the investment contract.

PORTFOLIO EVALUATION & REPORTING

The investment consultant and Investment Staff will evaluate the total Fund portfolio on, at least, a quarterly basis. The investment consultant and Investment Staff will meet with the various investment managers and the Board on a regular basis to review any changes to the investment guidelines and analyze the investment performance and structure of the Fund.

The investment manager(s) shall also provide written reports to the Board, Investment Staff and investment consultant on a quarterly basis. The investment manager's quarterly report shall include:

- Portfolio and market commentary/outlook
- Organizational updates (e.g. changes in personnel, management, ownership, etc.)
- Market value of investments
- List of all client-directed cash flows in and out of the account since inception (i.e. allocations to and redemptions from the Fund's account)
- Gross and net-of-fees performance versus the benchmark for the most recent quarterly, year-to-date and relevant longer-term periods
- Calendar year returns (net of fees) versus the benchmark for all periods since inception
- Attribution analysis
- Investment fees for quarterly, year-to-date and inception-to-date periods
- If applicable, capital account statement for quarterly, year-to-date and inception-to-date periods.
- Additional reasonable information as requested by the Board or Investment Staff

The investment consultant will promptly review any sizable shortfall in performance relative to the performance objectives with the Board and Investment Staff.

INVESTMENT MANAGER WATCH LIST

When evaluating an investment manager, the Board utilizes a "watch list" process to identify managers that require closer monitoring. Circumstances that may trigger the Board to place a manager on watch include:

- Poor performance of account relative to stated goals and objectives over a market cycle (typically a three- to five-year period)
- Material violations of the investment guidelines agreed to by contract
- Failure to comply with the terms of the contract
- Sale or merger of the investment management firm
- Changes in key personnel
- Material changes in investment philosophy, process or style
- Legal action taken against the investment management firm
- Unsatisfactory client service
- Noncompliance with the Board's M/W/DBE Broker-Dealer Utilization Policy (See: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy)*

While on watch, management firms may be required to meet with the Board and submit regular status reports. Removal from the watch list usually results from either the manager resolving the issue(s) that led to them being placed on watch or the Board deciding to terminate the account.

Investment managers placed on watch for performance-related issues will be evaluated based on their risk adjusted performance versus their stated benchmark over a complete market cycle. Investment managers will also be evaluated versus the appropriate peer universe and are expected to maintain net-of-fees performance above the peer median for the three- and five-year time periods.

Understanding that every situation is unique, the Investment Staff and investment consultant may recommend to the Board additional criteria on which to evaluate an investment manager while they are "on watch". Based on the specific circumstances, the Investment Staff and investment consultant will also make a recommendation at the outset as to a reasonable period over which to evaluate the manager while on watch.

INVESTMENT GUIDELINES

All of the provisions within the Investment Guidelines section shall apply to individual mandates managed by investment managers and not to the Fund as a whole. For the purposes of the Investment Guidelines section, the term "portfolio" shall refer to an individual mandate.

The guidelines for a particular investment mandate are set at the time of hiring and are included in the contractual agreement between the Fund and the investment manager. No deviation from the investment guidelines and objectives established in the contract between the Fund and the investment manager shall occur unless agreed to in writing by the Board. Any deviation by the investment manager from the contract guidelines without the approval of the Board may lead to the termination of the investment manager. The investment guidelines in this section are separated by asset class and represent standard investment guidelines with which the Board is comfortable. As such, these guidelines represent a framework utilized when negotiating investment manager contracts. On a case-by-case basis, the Board may allow deviation within the contract from these standard guidelines. The contract guidelines shall always govern. Moreover, the investment manager and/or the investment consultant will inform the Investment Staff and Board of any compelling reason to change any of these guidelines due to investment market outlook or a change in the Fund's structure or funding.

The investment guidelines established by contract between the Fund and the investment manager typically contain certain exposure limits (e.g. security exposure, company/issuer exposure, country/sector exposure, credit quality exposure, etc.). Investment managers shall never initiate a purchase or sale transaction that, at the time of purchase or sale, results in an exposure limit being exceeded. The following exceptions shall apply:

- During a reasonable investment period when significant additional capital is allocated to the investment manager by the Fund;
- During a reasonable liquidation period when significant capital is redeemed from the investment manager by the Fund; and
- During the liquidation stage of a closed-end private market investment.

If exposure limits are exceeded as a result of fluctuations in the market values of publically traded securities held in the portfolio, the investment manager does not need to immediately rebalance the portfolio if doing so is not deemed prudent by the investment manager. However, in this situation, the investment manager must alert the Investment Staff and investment consultant regarding the issue and present them with a reasonable plan as to how the investment manager will bring the portfolio back into compliance.

Each investment manager should immediately inform the Board, Investment Staff and the investment consultant in writing regarding all significant matters pertaining to the investment of assets. The Board, Investment Staff and investment consultant should be notified immediately of material changes in investment strategy or portfolio structure as well as other matters affecting the investment of the assets in accordance with the investment agreement entered into by the Fund and the investment manager. The Board, Investment Staff and investment consultant should also be informed immediately of any material changes in the ownership, affiliation, organizational structure, financial condition, or professional personnel staffing of the investment management organization.

The investment manager shall discharge its responsibilities in accordance with the fiduciary provisions contained within the Illinois Pension Code and investments shall be made for the exclusive benefit of the Fund, its participants and their beneficiaries.

General Guidelines (Equity and Fixed Income)

1. No use of private placements, venture capital, margin, leverage, securities not publicly traded, options, commodities, short sales, interest only, principal only, stripped mortgage-backed securities, forward contracts, future contracts or any other high risk/leveraged derivative investments unless written permission is granted by the Board.

2. All cash, interest earned and dividend payments shall be swept on a daily basis into an investment-grade short-term money market fund, cash vehicle or cash-equivalent vehicle. A mutually agreed upon sweep vehicle at the custodian will be utilized for this purpose.

3. Security purchase and sale transactions must be executed on a “best effort” basis with brokers or dealers selected by the investment manager. The manager’s selection of a broker or dealer shall take into account such relevant factors as: (a) price and commission; (b) the broker’s or dealer’s facilities, reliability and financial responsibility; and (c) the ability of the broker or dealer to effect securities transactions, particularly with regard to such aspects thereof as timing, order size and execution of orders. The manager shall make all reasonable efforts to obtain best execution. Included in the Illinois Pension Code is a requirement that a policy increasing the utilization of “minority broker-dealers” be adopted by Illinois pension funds covered under the Code. Subject to best execution and the investment manager’s fiduciary duty, the Board has set utilization goals encouraging the utilization of minority broker-dealers (40 ILCS 5/1-109.1). See *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*.

4. Foreign currency exchange transactions shall be executed on a “best effort” basis with brokers or dealers as selected by the investment manager. The manager’s selection of a broker or dealer shall take into account such relevant factors as: (a) price and commission; (b) the broker’s or dealer’s facilities, reliability and financial responsibility; (c) bid/ask spread; and (d) the ability of the broker or dealer to effect foreign currency transactions, particularly with regard to such aspects thereof as timing, order size and execution of orders. The manager shall make all reasonable efforts to obtain the most competitive exchange rate.

5. The investment manager may not use any transaction involving the Fund’s assets for purposes of receiving hard or soft-dollars with the exception of receiving soft-dollar credits for research that is used in the investment management process and directly benefits the Fund. Obtaining any goods or services from any broker, dealer, or other person other than for the purpose of research is prohibited. Soft dollar arrangements involving the Fund’s assets must comply with Section 28(e) of the Securities Exchange Act of 1934 and must be disclosed.

U.S. Equity Manager Guidelines – Separate Account

1. The portfolio should be invested in marketable equity securities only.

2. The portfolio must seek to be fully invested at all times with a 5% maximum allowable cash exposure at any one point in time.

3. U.S. equity investments in any one company are limited to a maximum of 7% of the portfolio's overall allocation.

4. No investment shall be made in a foreign security without the prior, specific consent of the Board, unless the security is available in American Depository Receipts (ADRs) on a U.S. exchange, is primarily or exclusively traded on a U.S. exchange, or is included in the assigned benchmark. ADRs are limited to no more than 10% of an individual investment manager's portfolio on a market value basis. A foreign security means a security issued by, or for the benefit of, any corporation, government, agency, or other organization that is not based in the United States, regardless of whether the return is payable in United States currency. Foreign security also means investment in a mutual fund or collective fund that invests primarily in the securities of foreign governments, agencies, or corporations.

5. No holding by an individual investment manager may represent more than 5% of the outstanding stock of the issuing company.

6. If in any calendar quarter the turnover of equity investments significantly exceeds historical or expected levels, the investment manager will promptly submit a detailed explanation of the trading activity. (Turnover shall be calculated as the ratio of the proceeds of equity sales to the market value of equities at the start of the quarter).

Non-U.S. Equity Manager Guidelines

1. The manager(s) are permitted to invest the Fund's assets in the common stock of non-U.S. corporations (or `securities convertible into common stock) registered in countries represented in the assigned benchmark index.

2. If MSCI EAFE Mandate: The manager(s) is permitted to invest up to 20% of the portfolio in liquid securities primarily traded or domiciled outside of countries included in the MSCI EAFE Index. The primarily traded location is defined as the exchange where the majority of the issuer's equity is bought and sold. An issuer's domicile is determined by the location of their corporate headquarters or operations.

3. If MSCI Emerging Market Mandate: The manager(s) is permitted to invest up to 20% of the portfolio in liquid securities registered in countries that are not included in the MSCI Emerging Market Index.

4. The use of currency hedging is allowed only for defensive purposes.

5. Portfolio diversification by country, sector and security is required.

6. Investments in any one company may not comprise more than 5% of the portfolio's overall allocation.

7. Unless otherwise directed, the investment manager may only hold up to 10% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

8. If in any calendar quarter the turnover of equity investments significantly exceeds historical or expected levels, the investment manager will promptly submit a detailed explanation of the trading activity. (Turnover shall be calculated as the ratio of the proceeds of equity sales to the market value of equities at the start of the quarter).

Investment Grade Fixed Income Manager Guidelines – Separate Account

1. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.

2. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

3. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.

4. Investments in Rule 144a securities are permitted if *i)* the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii)* absent registration rights, a) the investment manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity, they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 5% of the portfolio's overall allocations.

5. The average duration of the portfolio is not to vary by more than +/-25% from the duration of the respective portfolio benchmark.

6. The average quality of the overall portfolio may not be less than AA rated. The investment manager will use the following methodology to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle ratings.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

7. If a security is downgraded to below investment grade by any of the rating agencies, the investment manager must promptly notify (within 30 days) the Investment Staff and the investment consultant of the situation and the investment manager's plan of action with regard to the security.

8. Derivative instruments are only permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps and options. Derivative instruments may be used for adjusting the duration, yield curve, volatility, or market risk exposure of the portfolio.

9. At no time may any derivative be utilized to leverage the portfolio for speculation.

10. No foreign securities will be allowed in the portfolio without prior approval by the Board. Canadian bonds and bonds included in the applicable benchmark are allowed.

11. Unless otherwise directed, the investment manager may only hold up to 15% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Core Plus Fixed Income Manager Guidelines – Separate Account

1. Non-Investment Grade securities (rated at or below Ba1 as defined by Moody's, BB+ as defined by Standard Poor's and BB+ by Fitch), preference shares, hybrid capital and convertible securities may not make up any more than 20% of the portfolio's overall allocation.

2. Non-U.S. dollar denominated securities may not make up any more than 20% of the portfolio's overall allocation. Emerging Market securities may not make up any more than 10% of the portfolio's overall allocation. Currency forwards are permitted. Currency forwards may be used for hedging purposes, as well as for outright active currency positions, irrespective of the underlying asset composition of the portfolio. Cross hedging is permitted. The net aggregate exposure to a single currency for non-hedging purposes, irrespective of whether it is long or short, cannot exceed 10% of the portfolio's overall allocations.

3. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.

4. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

5. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.

6. Investments in Rule 144a securities are permitted if *i)* the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii)* absent registration rights, a) the manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 10% of the portfolio's overall allocations.

7. At no time may any derivative be utilized to leverage the portfolio for speculation. Derivative instruments are permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps, options and credit derivatives. Derivative instruments may be used for adjusting the duration, yield curve, volatility, sector, credit, market, or spread risk exposure of the portfolio. Swaps including credit derivatives may be used to adjust the portfolio's exposure to a market sector and/or to sell or buy protection on the credit risk of individual issuers or a blanket of individual issuers. Derivatives may be used as a substitute for buying or selling securities and for non-hedging purposes seeking to enhance potential gains.

8. The average duration of the portfolio is not to vary by more than +/-25% from the duration of the respective portfolio benchmark..

9. Manager will use the following methodology to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle rating.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

10. Collateralized Mortgage Obligations ("CMOs") are limited to Planned Amortization Class ("PAC") and sequential issues. Specifically prohibited are companion tranches or support bonds, floaters, inverse floaters, income only, principal only CMOs and structured notes. Principal leverage in CMOs or other structured bonds in the portfolio is prohibited.

11. Pooled, commingled, or mutual funds managed by the investment manager that follow investment strategies that are generally consistent with these guidelines are permitted investments, but may not comprise more than 20% of the overall portfolio. The investment guidelines for the pooled, commingled, or mutual funds as outlined in the contract, prospectus, or Private Placement Memorandum will supersede these guidelines.

12. Unless otherwise authorized, the investment manager may only hold up to 20% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

High Yield Fixed Income Manager Guidelines – Separate Account

1. The average quality of the overall portfolio may not be less than B rated. The following methodology is recommended to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle rating.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

2. Unrated investments may not comprise more than 10% of the overall portfolio.

3. Non-U.S. dollar denominated securities are allowed, but may not make up any more than 20% of the portfolio's overall allocations.

4. Emerging Market securities are allowed, but may not make up more than 10% of the portfolio's overall allocations.

5. Currency forwards are permitted. Currency forwards may be used for hedging purposes, as well as for outright active currency positions, irrespective of the underlying asset composition of the portfolio. Cross hedging is permitted. The net aggregate exposure to a single currency for non-hedging purposes, irrespective of whether it is long or short, cannot exceed 10% of the portfolio's overall allocations.

6. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.

7. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

8. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.

9. Investments in Rule 144a securities are permitted if *i)* the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii)* absent registration rights, a) the manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 10% of the portfolio's overall allocations.

10. At no time may any derivative be utilized to leverage the portfolio for speculation. Derivative instruments are permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps, options and credit derivatives. Derivative instruments may be used for adjusting the duration, yield curve, volatility, sector, credit, market, or spread risk exposure of the portfolio. Swaps including credit derivatives may be used to adjust the portfolio's exposure to a market sector and/or to sell or buy protection on the credit risk of individual issuers or a blanket of individual issuers. Derivatives may be used as a substitute for buying or selling securities and for non-hedging purposes seeking to enhance potential gains.

11. The average duration of the portfolio is not to vary by more than +/-50% from the duration of the respective index.

12. Collateralized Mortgage Obligations ("CMOs") are limited to Planned Amortization Class ("PAC") and sequential issues. Specifically prohibited are companion tranches or support bonds, floaters, inverse floaters, income only, principal only CMOs and structured notes. Principal leverage in CMOs or other structured bonds in the portfolio is prohibited.

13. Pooled, commingled, or mutual funds managed by the investment manager that follow investment strategies that are generally consistent with these guidelines are permitted investments, but may not comprise more than 20% of the overall portfolio after accounting for price appreciation. The investment guidelines for the pooled, commingled, or mutual funds as outlined in the contract, prospectus, or Private Placement Memorandum will supersede these guidelines.

14. Unless otherwise directed, the investment manager may only hold up to 20% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Unleveraged Senior Secured Loans Fixed Income Manager Guidelines – Separate Account

1. Investments will be primarily in senior secured bank loans, including revolving loans, delayed draw loans, second lien loans and debtor-in-possession ("DIP") facilities ("Senior Secured Bank Loans"). Manager may purchase other secured bank-debt type investments as appropriate given the investment objectives agreed to by contact.

2. At no time may any derivative be utilized to leverage the portfolio for speculation.

3. A single security may not comprise more than 5% of the overall portfolio.

4. Manager shall seek to maintain an average quality of the overall portfolio of at least B/B2 as rated by Standard & Poor's and Moody's. Manager shall notify the Board, Investment Staff and investment consultant promptly if the average portfolio quality falls below B/B2. Manager will use the following methodology to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle ratings.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

5. Second lien loans may not comprise more than 20% of the overall portfolio.

6. Unrated investments may not comprise more than 5% of the overall portfolio.

7. No foreign securities will be allowed in the portfolio without prior approval by the Board.

8. Unless otherwise directed, the investment manager may only hold up to 15% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Cash Manager Guidelines – Separate Account

1. The purpose of the short-term fixed income account is to be used for benefit payments and other short-term financial obligations of the Fund.

2. At no time may any interest only (I.O.), principal only (P.O.), inverse floaters, or any other derivative be purchased or utilized.

3. At no time may any Rule 144a securities be purchased or utilized.

4. Non-US government or non-US agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

5. Foreign securities will not be allowed without prior consultation with and approval by the Board.

6. The expected average life for a security cannot exceed eighteen months.

7. The average quality of the overall portfolio should be no less than AA (mid-grade rating) rated.
   - In the event of a split rating, use the lower rating.

8. An issue must have a rating of at least A- or the equivalent short-term money market rating.

Guidelines Relating to Commingled Funds, Mutual Funds, Collective Funds, Pooled Funds, Limited Partnerships or Other Similarly-Structured Vehicles

Commingled funds, mutual funds, collective funds, pooled funds, limited partnerships or other similarly-structured vehicles may be used from time to time. Such investment vehicles utilized by the Fund must adhere to the written objectives and guidelines as established in the contract, prospectus, or Private Placement Memorandum. If at any time the investment manager managing such investments deviates from these guidelines or investment objectives, the investment manager must immediately (within 5 days) notify the Investment Staff and investment consultant.

INVESTMENT MANAGER SELECTION PROCESS

If the Board decides, with assistance from the investment consultant and Investment Staff, to conduct an investment manager search, the Board will follow the procedures identified in *Appendix C: Investment Manager and Consultant Procurement Policy.* In evaluating investment managers for inclusion in the selection process, the Board will evaluate, at a minimum, the following:

- Investment manager ownership and organizational strength.
- Investment professional(s) tenure.
- Well-articulated and consistent application of investment philosophy and process.
- Portfolio characteristics relative to benchmark.
- Sector weightings relative to benchmark.
- Consistent long-term outperformance relative to benchmark and peer universe.
- Portfolio's long-term risk/reward profile compared to benchmark and peer universe.
- Investment management fees relative to competing managers and industry averages.

In accordance with Illinois Pension Code (40 ILCS 5/1-109.1), the Board has adopted a policy setting forth goals for utilization of emerging investment managers. The Board's policy is included as an appendix to the Investment Policy Statement (see: *Appendix D: M/W/DBE Emerging Investment Manager Utilization Policy*).

In consideration of the State of Illinois' policy in the Illinois Pension Code (40 ILCS 5/1A-108.5) encouraging pension funds to promote the economy of Illinois through the use of economic opportunity investments, the Fund will consider such investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

ASSET ALLOCATION

Upon advice from the investment consultant and Investment Staff, the Board shall adopt an appropriate asset allocation target. The Board, Investment Staff and investment consultant will review the asset allocation at least annually and consider changes as deemed prudent. The current target asset allocation is included in this policy as *Appendix A: Target Asset Allocation*.

Although it is the Board's intention to maintain an allocation within the long-term allocation target ranges, the Board may choose to allow the current allocation to remain outside the target range if it believes market conditions warrant doing so. For risk control purposes, allocations will be allowed to deviate by no more than +/- 2% outside target allocation ranges.

The Board recognizes that certain allocations are illiquid in nature (Private Equity, Real Estate, etc.). Because of this, these allocations may remain outside the target range for extended periods of time.

LIQUIDITY NEEDS & PORTFOLIO REBALANCING

The operating cash flow needs of the Fund often require the liquidation of investment assets on a monthly basis. The Board has delegated to the Chief Investment Officer, in conjunction with the investment consultant, the authority to liquidate assets, as necessary, to meet the monthly operating obligations. Liquidity will be primarily drawn from asset classes that exceed their respective allocation targets to help move the Fund's overall asset allocation closer to target allocations specified in *Appendix A*. Since the Fund's liquidity needs are typically known in advance, the Investment Staff will make a reasonable effort to present the Board with the liquidation plan and attain the Board's consent to liquidate at the Board meeting prior to the date on which the liquidation of assets is initiated. Should circumstances arise where it is impractical or impossible to receive prior consent from the Board, the Chief Investment Officer shall exercise his authority to liquidate assets and will report the liquidity event to the Board at its next regularly scheduled Board meeting.

Should the regular monthly liquidity events associated with benefit payments not be sufficient to keep the portfolio in line with the target allocations, the Fund's portfolio may need to be rebalanced by shifting assets from one asset class to another. In these instances, the investment consultant and Investment Staff will bring a rebalancing plan to the Board for its approval. Upon approval by the Board, the Investment Staff will work to transition the assets.

COST MANAGEMENT

Active versus Passive Management

The Board utilizes both active and passive management. Active management is utilized in an attempt to exceed the performance of a certain index by a mutually-agreed-upon level, net of fees. Passive management is utilized to mimic the performance of a specific index. Active management is more expensive than passive management. The Board utilizes active management when it believes there is inefficiency in the market or there is a strong probability of achieving a net return premium over the associated index.

Management Fees

Investment management fees are agreed upon during contract negotiations between the Fund and the investment manager. The Board strongly prefers that a 'most favored nation' clause be included in all contracts. The Board will periodically require the review of all management fee structures to confirm that they compare favorably to prevailing market rates.

Transition Management

Rebalancing the Fund's portfolio requires purchasing and/or selling securities. In an attempt to minimize costs, the investment consultant and/or Investment Staff establishes a plan regarding what assets are to be transitioned, how they will be transitioned and when the transition will occur. A pre-transition planning process helps keep transition costs to a minimum.

Steps to minimize transition costs include:

1. Utilizing third-party transition managers that serve in a fiduciary capacity to manage the process when prudent
2. Scheduling transitions such that they coincide with other signification cash flow events when prudent
3. Utilizing "in-kind" transfers when prudent
4. Utilizing lower cost trading platforms when prudent
5. Utilizing cross-trade opportunities when prudent
6. Utilizing discount brokerage opportunities when prudent

Transitions are evaluated by comparing post-trade analysis reports to pre-trade estimations and objectives.

In situations where a third-party transition manager is utilized, selection of transition managers is normally made by the investment manager unless the transition need is based on the termination of an investment manager, in which case Investment Staff will select the provider of transition management services.

Other Fees

The Board periodically commissions the investment consultant and Investment Staff to review fees and policies related to brokerage, foreign exchange and utilization of other third-party services to ensure that the fees being assessed to the Fund are competitive.

CORPORATE GOVERNANCE

Proxy Voting

Unless the Fund directs the voting of a particular proxy, each investment manager shall have full discretionary authority and responsibility to exercise the proxy voting rights related to securities held on behalf of the Fund. As fiduciaries, investment managers shall exercise voting rights in a manner consistent with the economic best interest of the Fund, its participants and their beneficiaries. Each investment manager shall avoid conflicts-of-interest in exercising voting rights.

On an annual basis (by January 31st of each year), each investment manager shall provide the Investment Staff with a copy of its proxy voting policy and a written report detailing each proxy vote made during the prior calendar year.

Securities Litigation (Class Actions) Policy

The Board invests in both equity and fixed income instruments of various public companies. As an investor in public companies, there are times when the Fund may be an investor in a company facing a class action lawsuit relating to a possible violation of federal or state securities laws. If the Fund was an investor within the determined claim period in a company facing a class action lawsuit, the Fund becomes a putative member of the class and would participate in any proceeds derived from the suit. The Fund's custodian provides class action filing and reporting services pertaining to class action suits filed in the U.S. court system.

The Fund periodically receives solicitations from litigating law firms seeking to represent the Fund in filing for lead plaintiff status in class action lawsuits. The Board currently has signed agreements with such firms. The Board, after being informed of the specifics of a potential suit and the Fund's estimated losses as determined by such firms, may make the decision to submit the Fund's name for consideration as lead plaintiff. Separately, these firms review the Fund's investment holdings on a monthly basis and identify opportunities for participation in class action settlements.

BOARD AUTHORITY TO IMPOSE INVESTMENT RESTRICTIONS

From time-to-time, the Board may impose certain investment restrictions at the overall Fund level that shall be instituted in addition to mandate-specific restrictions found in individual investment manager contracts. Subject to an investment manager's exercise of fiscal and fiduciary duty, the investment manager shall comply with such restrictions. See *Appendix F: Restrictions on Investment* for a current list of such restrictions.

ENFORCEMENT

The Board expects every fiduciary of the Fund to comply with this Investment Policy Statement. If for any reason any party acting in a fiduciary capacity is unable to comply with the Investment Policy Statement, that party shall immediately notify the Board in writing. More specifically, if any investment manager or the investment consultant concludes that any aspect of this statement is inappropriate or will unnecessarily inhibit performance, the investment manager or investment consultant is obligated to notify the Board rather than fail to comply. Failure to comply with the Investment Policy Statement may be cause for termination.

CONCLUSION

This document sets forth the Fund's Investment Policy Statement with regard to the investment of Fund assets under the Illinois Pension Code. It also explains the Board's fiduciary responsibility to the Fund, its participants and their beneficiaries. This document and its attached appendices are effective as of the date adopted by the Board. This document is available on our website at www.meabf.org. To receive a hard copy of this document or for further inquiries, please contact:

Chief Investment Officer
Municipal Employees' Annuity and Benefit Fund of Chicago
321 North Clark Street, Suite 700
Chicago, Illinois 60654
P: (312) 236-4700
Email: cio@meabf.org

AMENDMENTS TO THE INVESTMENT POLICY STATEMENT

The Board of Trustees may, at its discretion, modify or withdraw this Investment Policy Statement at any time. If changes are made to the Investment Policy Statement, the Board shall file a copy of the new policy with the Illinois Department of Insurance within 30 days as specified in the Illinois Pension Code. [40 ILCS 5/1-113.6]

Adopted and Approved: the _____ of ________________, ________.

APPENDICES

Appendix A: Target Asset Allocation

	Minimum	Target	Maximum
Traditional:			
Fixed Income:			
Broad Fixed Income	13%	15%	17%
High Yield	3%	5%	7%
Bank Loans	3%	5%	7%
Total Fixed Income	**20%**	**25%**	**30%**
U.S. Equity:			
Large-Cap	9%	16%	23%
Mid-Cap	3%	5%	7%
Small-Cap	3%	5%	7%
Total U.S. Equity	**21%**	**26%**	**31%**
Non-U.S. Equity:			
Developed Market, Large-Cap	10%	12%	14%
Non-U.S. Small-Cap	3%	5%	7%
Emerging Market	3%	5%	7%
Total Non-U.S. Equity	**17%**	**22%**	**27%**
Alternative:			
Real Assets:			
Real Estate	7%	10%	13%
Infrastructure	0%	2%	4%
Total Real Assets	**9%**	**12%**	**15%**
Hedge Funds	**3%**	**5%**	**7%**
Defensive Equity	**3%**	**5%**	**7%**
Private Equity	**3%**	**5%**	**7%**

Appendix B: Policy Benchmark

25%	Barclays Capital U.S. Aggregate Index (Fixed Income)
26%	Wilshire 5000 Index (U.S. Equity)
22%	MSCI ACWI ex US Index (Non-U.S. Equity)
5%	HFRI Fund-of-Funds (Hedge Funds)
5%	CBOE S&P 500 PutWrite Index (Defensive Equity)
5%	Venture Economics Private Equity Index (Private Equity)
10%	NFI ODCE (Real Estate)
2%	LIBOR + 4% (Infrastructure)

Appendix C: Investment Manager and Investment Consultant Procurement Policy

The Board has established a procurement policy for the selection and appointment of investment managers and investment consultants that provide investment services to the Board. This policy (a) outlines the competitive process established by the Board in selecting investment managers and investment consultants and (b) specifies the respective roles of the Board, Fund staff and investment professionals utilized in each stage of the selection process. The policy also incorporates the Board's goal regarding inclusion of minority owned businesses, female owned businesses, and businesses owned by a person with a disability within the selection process. This policy is not meant to limit the Board's right to modify current mandates, rebalance the Fund's portfolio when prudent, or make follow-on investments to current mandates.

<u>Exceptions</u>

The following investment services shall be exempt from this policy:

- A) Sole source procurements
- B) Emergency procurements
- C) At the discretion of the of the Board, non-renewable, one-year contracts not exceeding $20,000

Exceptions shall be posted on the Fund's website, which shall include the person authorizing the procurement and a brief explanation of the reason for the exception.

<u>Selection and Appointment Process for Investment Managers</u>

A) **Notification of Intent to Conduct Search (specific to Private Equity, Real Estate and Other Similarly-Structured Investment Vehicles)**

Within certain asset classes (primarily private equity and closed-end real estate), investment managers raise capital during specific periods of time. Given the nature of these types of investments, the Fund will make a reasonable attempt to post on its website, at or near the end of each calendar year, the Fund's intentions regarding new investments over the next year in private equity, real estate, and other similarly-structured investment vehicles. Investment managers raising capital in relevant asset classes during this time period are encouraged to keep the Fund's investment consultant abreast of the timing of such investment opportunities.

B) **Initiation of Search Process**:

a. Initiation – The Board initiates an investment manager search by a motion at an open meeting of the Board.
b. Notice – Notice for an investment manager search shall be posted on the Fund's website at least fourteen (14) days prior to the solicitation response due date.
c. Availability of Search Documents – The solicitation document for a search shall be available on the Fund's website.

C) **Solicitation Document:**

Documents utilized to solicit investment management services shall include, but not be limited to:

a. A description of the services being procured and an estimate of the amount of assets to be awarded
b. Listing of relevant dates
c. Description of contract scope
d. Required qualifications
e. Evaluation factors
f. A copy of the Fund's Investment Policy Statement (respondents must acknowledge receipt)
g. If applicable, the Fund's standard investment management agreement, otherwise a list of the standard contract requirements.
h. List of investment manager disclosure requirements
    i. Investment Manager Information
        1. Firm name and address
        2. Parent company
        3. Subsidiaries or entities with a controlling interest

    4. Executive officers
    5. Owner or receiver of distributive interest in excess of 7.5%
  - ii. Subcontractor assignments
    1. Name and address of subcontractors (Investment managers must agree to notify the Fund if, during the term of the contract, a subcontractor is added or changed)
    2. Estimated size of assignment and fee structure
  - iii. Required disclosures by applicable laws, including, but not limited to, the Illinois Compiled Statutes (40 ILCS 5/1-113.21), as amended.

i. Proposed management fee structure

D) **Questions Relating to the Solicitation:**
Questions regarding the solicitation shall be submitted in writing by the investment manager to the designated point of contact by the date stated within the search document(s). Shortly thereafter, the Fund will post responses to all questions on its website.

E) **Evaluation Process**:

a. Submissions determined responsive and received by the stated deadline shall be recorded and receipted.
b. Investment consultant and/or Investment Staff shall review and evaluate against search specifications.
c. Investment consultant and/or Investment Staff shall identify the most qualified firms.
d. Investment consultant and/or Investment Staff will make a reasonable attempt to verify information submitted and resolve or confirm any discrepancies.
e. A list of all responses will be provided to the Board.
f. Profiles of the most qualified firms will be distributed to the Board for discussion.
g. The Board reserves the right to select finalists that will be invited to present to the Board.

F) **M/W/DBE Investment Managers:**
For the purposes of this policy, "emerging investment manager" and "minority investment manager" shall have the meaning ascribed to them in 40 ILCS 5/1-109.1(4) and (9), respectively.

In the search process, the Board encourages the investment consultant to utilize qualification criteria that support the inclusion of "emerging investment managers" and "minority investment managers".

The Board further encourages the investment consultant to proactively identify to "emerging investment managers" and "minority investment managers" that satisfy the search requirements.

If in any case an "emerging investment manager" or "minority investment manager" that submitted a proposal for consideration meets the requirements for a specific search, then that "emerging investment manager" or "minority investment manager" shall receive an invitation to present to the Board. In the case where multiple "emerging investment managers" or "minority investment managers" meet the criteria of the search, the most qualified firm or firms shall be selected to present to the Board.

G) **Quiet Period:**
To ensure that respondents have equal access to information, that communications are consistent and accurate, and that the solicitation process is efficient, diligent and fair, a quiet period shall:

a. Commence upon the passage of a motion authorizing a search.
b. Prohibit communication between Board members (the decision-makers) and responding firms regarding any product or service relating to the solicitation.
c. Prohibit the acceptance of any meals, travel, lodging, entertainment or any other good or service from the respondent by the Board, Fund staff, or investment consultant.

Respondents may be disqualified if a willful material violation of the quiet period is determined to have occurred. The quiet period does not prevent a Board member from attending Board approved meetings or conferences.

H) **Awarding, Negotiating and Notice of Agreement**:

a. Awarding of Mandate – The Board shall award one or more firms the mandate after the evaluation process is complete. The Board's selection will be based on an evaluation of the firm's qualifications, governing law and rendered solely in the interest of the Fund, its participants and their beneficiaries. Evaluation criteria will include the quality of the investment team, the firm's investment philosophy, the firm's synergy in relation to other existing mandates, the historical performance of the firm and the total cost of services to be provided.

b. Negotiation of Agreement – The Board authorizes the Fund's Executive Director and/or the Chief Investment Officer to negotiate agreements with the selected firms. The agreement shall include the requirements set forth in Section 1-113.14(c) of the Illinois Pension Code. If unable to negotiate a satisfactory agreement, the Board may select another investment manager from the group of qualified finalist.

c. Notice of Agreement - After executing a contract and funding the mandate, the following information shall be posted on the Fund's website:

   i. Name of firm(s) receiving the award
   ii. Size of mandate
   iii. Fee schedule
   iv. Summary of factors that contributed to the Board's selection

<u>Selection and Appointment Process for Investment Consultants</u>

The selection and appointment process for investment consulting services will be conducted by the Investment Staff at the direction of the Board and shall comply with all applicable laws including, without limitation, the provisions of the Illinois Pension Code, as amended and be substantially similar to the selection and appointment process for an investment manager.

The term of a rewarded contract for investment consulting services shall not exceed five (5) years.

Amended February 19, 2015.

Appendix D: M/W/DBE Investment Manager Utilization Policy

In accordance with 40 ILCS 5/1-109.1(4), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by emerging investment managers:

		Goal Range
Total investment assets		20% to 30%
By asset class		
a.	Equity	15% to 25%
b.	Fixed income	15% to 25%
c.	Alternatives	10% to 20%
By ownership classification		
a.	Minority	12% to 18%
b.	Woman	03% to 07%
c.	Disabled	01% to 02%

40 ILCS 5/1-109.1(4) defines "emerging investment manager" as "a qualified investment adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a 'minority owned business', 'female owned business' or 'business owned by a person with a disability' as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act."

In accordance with 40 ILCS 5/1-109.1(9), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by minority investment managers:

		Goal Range
By ownership classification		
a.	Minority	14% to 20%
b.	Woman	03% to 07%
c.	Disabled	01% to 02%

40 ILCS 5/1-109.1(9) defines "minority investment manager" as "a qualified investment manager that manages an investment portfolio and meets the definition of 'minority owned business', 'female owned business', or 'business owned by a person with a disability', as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act."

These goals shall be reviewed annually.

Amended January 22, 2015.

Appendix E: M/W/DBE Broker-Dealer Utilization Policy

Based on the Illinois Pension Code, the Fund must adopt a policy that sets forth goals increasing the utilization of "minority broker-dealers". Minority broker-dealer shall mean a qualified broker-dealer who meets the definition of "minority owned business", "female owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The Board encourages the use of minority broker-dealers and sets goals, by asset class, regarding their use. In the event that new asset classes are added to the Fund's portfolio, the Board will consider setting or revising applicable minority broker-dealer utilization goals prior to funding any new mandate associated with that asset class. Even where specific minority broker-dealer utilization goals are not set or do not apply, the Board encourages the investment managers to make a best-efforts attempt to utilize minority broker-dealers. Compliance with this policy will be considered part of an investment manager's overall performance. Non-compliance may result in a manager being placed "on watch" for performance reasons. Continued non-compliance can result in the termination of the investment manager.

Investment managers are required to act as fiduciaries when investing Fund assets. As fiduciaries, investment manager decisions are made for the exclusive benefit of the Fund, its participant and their beneficiaries. Investment managers are required to search for "best execution" in selecting brokerage firms for trade execution services. The Board defines best execution as achieving the best possible terms of execution while taking into account both explicit and implicit trading costs. The investment manager's selection of such brokers shall be in accordance with Article 1 of the Illinois Pension Code (40 ILCS 5/1-101 et seq.), the Investment Advisers Act of 1940 and any other applicable securities laws, rules and regulations.

The asset class specific utilization goals and reporting requirements are as follows:

Equity Managers: Subject to best execution, in accordance with the goals and objectives of the account agreement, each investment manager who manages equities on behalf of the Board in non-commingled accounts shall make every effort to adhere to the following policy goals of the Board:

40% of total domestic equity trading, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis.

20% of total international equity trading within mandates dealing predominantly in developed market securities, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis.

10% of total international equity trading within mandates dealing predominantly in emerging market securities, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis

Managers shall not utilize indirect methods, such as "step-out" commissions, to achieve these goals. Trades executed utilizing electronic trading platforms that are not competitively provided by minority broker-dealers shall be excluded from the trading goals.

Each manager shall submit a monthly progress report to Fund's Investment Staff following the end of each month that details all trading activity with minority broker-dealers. Progress reports shall also be included in the manager's quarterly performance report to the Board. Annually, the manager will submit a compliance report that will be reported to the Board. The reports shall separate information by broker-dealer and include:

1. Total shares traded, total trading commissions and average commission cost per share
2. Total shares executed at a commission rate that includes services in addition to execution services; description of additional services provided.
3. List of all forms of payments made to minority broker-dealers, including but not limited to, trading execution commissions, step-out commissions, research purchased and soft dollar credits purchased.
4. Explanation if trading activity is not in compliance with Board objectives.

<u>Fixed Income Managers:</u> Subject to best execution, in accordance with the goals and objectives of the account agreement, each manager that manages fixed income securities on behalf of the Board in non-commingled accounts shall make every effort to initiate trading activity in accordance with the following policy objectives of the Board:

25% of trading volume (based on par value) in U.S. investment grade fixed income securities traded in secondary markets shall be with minority broker-dealers on a calendar year basis.

When purchasing new issue securities, the manager will make every effort to utilize minority broker-dealers who are part of the underwriting syndicate selling the new issues.

Each manager will submit a monthly progress report to Investment Staff following the end of each month that details trading activity with minority broker-dealers. Progress reports will also be included in the manager's quarterly performance report to the Board. Annually, the manager will submit a compliance report that will be reported to the Board. The reports shall separate information by broker-dealer and include:

1. Total volume of securities traded by broker-dealer, based on par value.
2. Explanation if trading activity is not in compliance with Board objectives.

Appendix F: Restrictions on Investment

From and after the effective date of this policy, the restrictions on investment found in Appendix F of this Investment Policy Statement shall govern.

The Board requires investment managers to adhere to the restrictions set forth below with respect to publicly traded equity and fixed-income securities that are actively managed through separate accounts.

Unless the Fund provides its investment managers with a list of specifically restricted investments, it shall be the responsibility of the investment manager to determine a reasonable basis by which to identify such restricted investments and make a reasonable effort to adhere to such restrictions.

<u>At this time, there are no restrictions on investments.</u>

Appendix G: Form of Investment Manager Annual Compliance Certificate

MUNICIPAL EMPLOYEES', OFFICERS' AND OFFICIALS'
ANNUITY & BENEFIT FUND OF CHICAGO

INVESTMENT MANAGER ANNUAL COMPLIANCE CERTIFICATE

As a duly authorized officer of ______________________ (the "Investment Manager"), I hereby certify to the Retirement Board of the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago ("MEABF") that I have reviewed the following:

1. All contractual agreements between the MEABF and the Investment Manager pertaining to MEABF's investment in the following product or fund:

   ____ (the "Investment"); and

2. MEABF's Investment Policy Statement dated April 22, 2014, as same may have been amended from time to time; (collectively, the "Requirements").

In addition, to the best of my knowledge and after diligent review of the documents stated herein, I hereby certify to the Retirement Board of the MEABF that during the calendar year ending December 31, 20XX, the Investment Manager and the Investment were in compliance with the applicable Requirements. I further certify, to the best of my knowledge, that the Investment Manager was in compliance during the year ending December 31, 20XX with Rule 206(4)-5 (Political Contributions by Certain Investment Advisers) of the Investment Advisers Act of 1940.

Date: ___________

By: ______________________________

Name: ______________________________

Title: ______________________________

POLICEMEN’S ANNUITY AND BENEFIT FUND
OF CHICAGO
INVESTMENT POLICY MANUAL

Updated August 1, 2017

Section 1

TABLE OF CONTENTS

Section 2

STATEMENT OF INVESTMENT POLICY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted July 22, 1983
Revised March 27, 1984
Revised October 29, 1986
Revised April 23, 1987a
Revised November 22, 1991
Revised July 23, 1992
Revised August 22, 1996
Revised February 24, 2000
Revised August 22, 2000
Revised April 27, 2001
Revised December 27, 2002
Revised February 28, 2003
Revised June 23, 2005
Revised May 25, 2006
Revised August 1, 2007
Revised March 24, 2008
Revised September 22, 2008
Revised April 22, 2010
Revised January 25, 2011
Revised January 27, 2011
Revised March 24, 2011
Revised April 27, 2011
Revised May 24, 2011
Revised June 28, 2011
Revised July 25, 2011
Revised November 22, 2011
Revised February 23, 2012
Revised September 25, 2012
Revised January 31, 2013
Revised February 28, 2013
Revised October 24, 2013
Revised March 12, 2014
Revised November 17, 2014
Revised February 22, 2016
Revised March 22, 2016

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to defray the reasonable expenses of administering the Fund (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, may appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the Fund (40 ILCS 5/1-109.1(1)(a)); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The following Statement shall describe the investment policy for the Fund:

Investment Philosophy

The Fund's overall investment policy is based upon the following principles established by the Board:

1. Maintain a long-term investment horizon for the Fund; and

2. Emphasize equity investments to enhance long-term return; and

3. Diversify investments across several asset classes.

Distinction of Responsibilities

The Board assumes the responsibility for establishing the investment policy (as described more fully in the following sections) that is to guide the Fund's investments. The investment policy describes the degree of investment risk that the Board deems appropriate.

The Board may appoint one or more investment managers as fiduciaries to manage the assets of the Fund and execute the Fund's investment policy. Investment managers appointed to execute the Fund's investment policy must invest the Fund's assets in accordance with the Fund's investment policy and any applicable statutes, but may apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within the Fund's investment policy limits, to (1) select individual investments and (2) construct portfolios to achieve the investment manager's individual mandated objective for the Fund.

Allocation of Assets

It is the Board's policy to invest the Fund's assets in the following proportions:

	Long-Term Allocation Percentages		
Asset Class	Long-Term	Min	Max
U.S. Equity	21.0%	10.0%	32.0%
Non-US Equity	20.0%	WIP	WIP
Equity (Total)	41.0%	WIP	WIP
Fixed Income & Cash	22.0%	WIP	WIP
Tactical & Alpha Strategies	19.0%	WIP	WIP
Real Assets	4.0%	WIP	WIP
Alternatives (Total)	23.0%	WIP	WIP
Private Equity	7.0%	WIP	WIP
Infrastructure	2.0%	WIP	WIP
Real Estate	5.0%	WIP	WIP
Private Capital (Total)	14.0%	WIP	WIP

No contract, oral or written, for investment services, consulting services, or commitment to a private market fund shall be awarded unless such investment advisor, consultant, or private market fund first makes the following disclosures set forth in 40 ILCS5/1-113.21, as amended from time to time: (1) the number of its investment and senior staff and the percentage of such persons who are a (i) minority person, (ii) female, and (iii) person with a disability; (2) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant or private market fund has with a (i) minority owned business, (ii) female owned business, or (iii) business owned by a person with a disability; and (3) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant or private market fund has with a business other than a (i) minority owned business, (ii) female owned business, or (iii) business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by a (i) minority person, (ii) female, and (iii) person with a disability. The disclosures required by this paragraph shall be considered by the Board, within the bounds of financial and fiduciary prudence, prior to the awarding of a contract, oral or written, for investment services, consulting services, or commitment to a private market fund.

Diversification

In order to minimize the impact of large losses and to reduce annual variability of returns, the Fund's Assets shall be allocated across major asset classes and diversified broadly within each asset class.

Liquidity

Benefit payments are expected to exceed contributions for a number of years. When cash is needed to make benefit payments, marketable securities shall be liquidated from those asset classes that are above their policy ranges to help bring the allocations closer to their targets. If all allocations are within the policy ranges, the availability of cash and the cost of liquidating securities shall be used as primary determinants as to the source of liquidity.

Relatively illiquid investment media such as venture capital partnerships, real estate holdings, and private capital investments may be made within prescribed limits, with due consideration regarding their impact on overall liquidity requirements, and when the excess expected return is sufficient to compensate the Fund for reduced liquidity.

It is the Board's intention to maintain the current allocation within the long-term allocation target ranges. However, the Board appreciates the illiquid nature of some of the Fund's investments and acknowledges that several years may be needed to rebalance certain asset classes, especially in alternative investments (Opportunistic, Real Estate, Private Equity and Infrastructure).

Asset Rebalancing

Compliance with the Fund's investment policy may require a periodic adjustment, or rebalancing, of assets among asset classes and investment managers to conform with investment policy targets.

Rebalancing shall bring the allocation of the Fund's assets within range limits, assuming a target portfolio is available to transfer the assets.

The Board, at times, may choose to allow the actual asset allocation to remain outside the rebalancing ranges if they believe market conditions warrant it. For risk control purposes, the absolute allocation shall be limited to an additional +/- 2 percentage points outside the current rebalancing ranges.

Rebalancing is expected to take place within a reasonable amount of time to accommodate cost and liquidity constraints.

Active Equity Mandates:

- Rebalance to 5% when an equity active mandate allocation is more than 6.5% of the Fund's total assets ("Total Fund Assets").

- Rebalance to 7.5% when a fixed income active mandate strategy allocation is more than 9% of Total Fund Assets.

- Rebalance when the Fund has more than 10% exposure to a single firm/business entity.

Investment Objectives and Performance Evaluation

The investment objective is to achieve a rate of return consistent with the investment policy stated above. Over reasonable measurement periods, the rate of total return earned on Total Fund Assets shall be compared with:

Starting November 2014, the return of the Policy Portfolio comprised Russell 1000 Index - 15%; Russell 2000 Index - 6%; MSCI EAFE Index - 14%; MSCI EME Index - 6%; BC Aggregate Index - 13%; BC Global Aggregate Index - 4%; Libor+3% - 5%;Thompson One All Private Equity Lag - 7% ; CPI + 500 bps – 2% (for Infrastructure); HFRI Fund of Funds Composite Index - 7%; NCREIF Property Index 1Qtr Lag – 5%; 60% MSCI ACWI (net)/40%WGBI) – 12%; Dow-Jones – UBS Commodity TR – 2%; BC Global Inflation Linked U.S. Tips – 2%.

Prior allocations can be found in the "Supplemental Information," section 13.

(This page left blank intentionally)

Section 3

GUIDELINES FOR ADMINISTERING THE INVESTMENT POLICY OF THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted August 27, 1992
Revised March 21, 1994
Revised August 18, 1995
Revised August 22, 1996
Revised February 24, 2000
Revised April 27, 2001
Revised March 24, 2008
Revised April 22, 2010
Revised February 23, 2012
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to defray the reasonable expenses of administering the Fund (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, may appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the Fund (40 ILCS 5/1-109.1(1)(a)); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The following document outlines the procedures for rebalancing the Fund's assets to conform to the asset-allocation percentages established by the Board.

Responsibility

The Fund's Chief Investment Officer shall consult, as needed, with consultants in reviewing and evaluating all relevant information and determining the appropriate reallocation of the Fund's assets. The Chief Investment Officer shall be responsible for rebalancing Fund's assets, as needed, to conform to asset-allocation percentages specified in the Fund's Statement of Investment Policy as follows:

	Long-Term Allocation Percentages		
Asset Class	Targets	Min	Max
U.S. Equity Passive Large Cap	8.0%	3.0%	13.0%
U.S. Equity Active Large Cap	7.0%	4.0%	10.0%
U.S. Equity Active SMID Cap	6.0%	3.0%	9.0%
*U.S. Equity Subtotal**	*21.0%*	*10.0%*	*32.0%*
Non-U.S. Equity	20.0%	WIP	WIP
Equity (Total)	41.0%	WIP	WIP
Fixed Income & Cash†	22.0%	WIP	WIP
Tactical & Alpha Strategies	19.0%	WIP	WIP
Real Assets	4.0%	WIP	WIP
Alternatives (Total)	23.0%	WIP	WIP
Private Equity	7.0%	WIP	WIP
Real Estate	5.0%	5.0%	9.0%
Infrastructure	2.0%	WIP	WIP
Private Capital (Total)	14.0%	WIP	WIP

1

* To the extent that international equities, private equity, real estate, and opportunistic strategies allocations differ from their targets, the asset allocation target and range for U.S. common stock should be adjusted accordingly.
† To the extent that infrastructure allocation differs from its target, the asset allocation target and range for fixed income should be adjusted accordingly.

Frequency

The Chief Investment Officer shall review the Fund's conformance with the investment policy on a monthly basis. The Chief Investment Officer shall obtain from the Fund's custodian the most recent values for all investment accounts/managers employed by the Fund and shall review the asset allocation of the all of the Fund's investments as soon as practical after the previous month-end.

Objective

The overall objective of asset rebalancing is to ensure the Fund's asset allocation conforms closely to the policy targets established by the Board, while minimizing transactions costs. To accomplish the rebalancing, the Chief Investment Officer may employ the following:

- cash inflows and outflows;
- allocation opportunities arising from manager hirings, terminations, reallocations in accordance with prior Board actions;
- current income; and
- cost-free transfers to and from index funds.

The Chief Investment Officer shall employ the above-stated methods, to the extent they are available, to bring the Fund's asset allocation back in line with the policy targets. If, however, transactions are required that would result in transactions costs to the Fund, the Chief Investment Officer shall rebalance the Fund's assets to conform to the asset allocation range limits set forth above in the Fund's Statement of Investment Policy.

Communication to the Board

The Chief Investment Officer shall notify the Board on a monthly basis of any rebalancing activity.

Transition Plan to implement Long-Term Targets – Effect on Policy Portfolio

As the Fund seeks to achieve its long-term target for the opportunistic strategies, private equity, real estate, and infrastructure asset classes, the Fund shall continue to treat such asset's "policy weight" as its "actual weight." The long-term target less the remaining portion shall be allocated according to the following:

- To the extent that real estate, infrastructure, and private equity allocations differ from those of their targets, the asset allocation target and range for U.S. common stock shall be adjusted accordingly.

- To the extent that opportunistic strategies allocation differs from its target, the asset allocation target and range for bonds and U.S. equity shall be adjusted pro-rata, with bonds making up 80% of the difference and U.S. equity making up the remaining 20% difference.

Section 4
ASSET STRATEGY STATEMENTS

STRATEGY FOR INVESTING IN U.S. EQUITY

Adopted September 25, 1992
Revised June 23, 2005
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The Fund shall seek to participate in the long-term growth of U.S. industries by broad diversification in U.S. common stocks.

The Fund shall use passive investments to gain broad, highly diversified, low-cost market exposure to the domestic stock market. This core of passive investments shall be supplemented with active managers in an attempt to add value above the market return. The current target for passive management is 50% of U.S. Equity assets.

The domestic stock component's overall exposure shall be similar to that of the overall market based on style (value, core and growth) as well as capitalization (small, mid and large). Such a structure shall prevent significant biases developing in the portfolio that may increase the volatility of returns and hurt performance over certain periods. Passive style indices may also be used at times to alleviate style biases in the portfolio.

Performance Benchmark

Russell 3000 Index.

STRATEGY FOR INVESTING IN NON-U.S. EQUITY

Adopted July 23, 1992
Revised August 22, 2000
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- The Fund shall invest broadly within the non-U.S. stock market.

- The Fund shall not make an explicit policy commitment to invest in emerging markets, but shall allow active managers that have skill and experience investing in these markets to do so on a limited basis.

- The current target for passive management is 33% of Non-U.S. Equity assets.

Performance Benchmark

MSCI ACWI Ex. U.S.

STRATEGY FOR INVESTING IN PRIVATE EQUITY

Adopted July 23, 1992
Revised August 22, 1996
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Private equity investments shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- The Fund may invest in fund-of-funds, high-quality venture capital partnerships, private equity investments, direct private placements, and secondary interests in venture capital partnerships, small-capitalization securities and corporate re-organization funds (i.e. LBO, management buy-out, and mezzanine financing funds).

- The Fund's private equity investments shall be diversified by time, investment stage, geography, and industry.

- The Fund may also invest in other forms of private equity on an opportunistic basis.

Performance Benchmark

Thomson One All Private Equity Lag.

STRATEGY FOR INVESTING IN FIXED INCOME

Adopted July 23, 1992
Revised May 23, 1993
Revised May 16, 1996
Revised June 23, 2005
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- The Fund shall invest broadly within the domestic bond market and allow active managers to opportunistically invest in non-U.S. bonds as set forth in the investment manager guidelines.

- The Fund's bond investments shall be primarily investment-grade quality (Baa or better). Certain active managers shall be allowed to opportunistically invest in non-investment grade bonds on a tactical basis as set forth in the investment manager guidelines.

- The Fund shall use commingled vehicles for passive investments in order to obtain diversification and reduce investment management costs. The percentage of passive management will be determined by the availability of appropriate active management strategies and the diversification level of the bond component. The current target of passive management is 40% of the bond component's assets.

- The Fund shall retain active managers to provide value added beyond the Barclays Aggregate Bond Index on a net-of-fees basis.

Performance Benchmark

Barclays Universal Index

STRATEGY FOR INVESTING IN INFRASTRUCTURE

Proposed March 24, 2008
Adopted [ ]
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Infrastructure investments shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- The Fund may invest in primary partnerships, fund-of-funds, secondary funds/transactions, and co-investments as it constructs its infrastructure portfolio.

- Over the long-term, the Fund's infrastructure investments shall be diversified through strategy, manager, vintage, asset type, and liquidity.

Performance Benchmark

CPI + 500 bps

STRATEGY FOR INVESTING IN ALTERNATIVE INVESTMENTS

Proposed March 24, 2008
Adopted [ ]
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109); and

Whereas, the Board recognizes that opportunistic strategies encompass a broad range of alternative strategies, but does not include real estate, private equity, and infrastructure, which are separate and distinct asset classes.

THEREFORE, BE IT RESOLVED THAT,

- Investments in opportunistic strategies shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- Over the long-term, the Fund's opportunistic strategies asset class may include sub-strategies, including sub-strategies that do not fit within the Fund's asset classes, such as hedge fund-of-funds, global macro, direct investments with hedge funds, extension strategies, absolute return strategies, timberland, agriculture, etc.

Performance Benchmark

Hedge Funds - HFRI Fund of Funds Composite Index
GTAA - 60% MSCI ACWI (net) / 40%WGBI
Real Assets – 50% Dow-Jones – UBS Commodity TR / 50% BC Global Inflation Linked U.S. Tips

GUIDELINES FOR INVESTING IN SHORT-TERM SECURITIES

Adopted June 19, 1993
Revised November 17, 2014
Revised February 22, 2016

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

Short-term investing for the Fund shall be conducted through the City Treasurer's office or by an investment manager selected by the Board. The investments permitted as short-term investments for the Fund include:

- Interest-bearing general obligations of the United States, State of Illinois, and City of Chicago;

- United States treasury bills and other non-interest bearing general obligations of the United States when offered for sale in the open market at a price below face value, so as to afford the Fund a return on such investment in lieu of interest;

- Tax anticipation warrants issued by the City of Chicago;

- Short-term discount obligations of the United States government or United States government agencies;

- Certificates of deposit in banks located within the City of Chicago;

  Certificates of deposit of national banks, fully collateralized at least 110 percent by marketable U.S. government securities and marked-to-market at least monthly;

- Bankers acceptance of bank holding companies and commercial paper of companies rated A1, P1 or the equivalent by two national rating agencies and maintaining such rating during the term of such investment;

- Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the city's tax-exempt debt obligations;

- Except where otherwise restricted or prohibited, a non-interest bearing savings account, non-interest bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the City Treasurer's office, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the Fund;

- Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; and

- Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds.

Section 5

INVESTMENT MANAGER ADMINISTRATION

BROKERAGE POLICY

RESOLUTION

Adopted May 25, 1993
Revised November 26, 2002
Revised June 23, 2005
Revised October 29, 2009
Revised March 24, 2011
Revised October 24, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board"), was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board recognizes a commitment to the success of minority owned businesses[3], female owned businesses[4] and businesses owned by a person with a disability[5] (collectively minority, women and disability business enterprise or "MWDBE")[6], and wishes to promote opportunities to MWDBE firms in the City of Chicago and within the State of Illinois (40 ILCS 5/1-109.1(7)); and

Whereas, the MWDBE brokerage firm and its operating members must be registered with the appropriate federal and state agencies and must have an established record of business performance through a history of having provided good execution and reporting services; and

Whereas, the Board supports the aims of the Equal Employment Opportunity Commission, and acknowledges the desirability of open access to competition on the part of MWDBE for the opportunity to provide brokerage services to the Fund (40 ILCS 5/1-109.1(7)); and

Whereas, while recognizing this initiative, the Board acknowledges its fiduciary responsibilities to the Fund regarding best price and execution for all brokerage business executed on behalf of the Fund (40 ILC/1-113.20).

[3] "Minority owned business" shall have the definition set forth in 30 ILCS 575/2(A)(3).
[4] "Female owned business" shall have the definition set forth in 30 ILCS 575/2(A)(4).
[5] "Business owned by a person with a disability" shall have the definition set forth in 30 ILCS 575/2(A)(5).
[6] "MWDBE" owners must, in addition to the definitions set forth in 30 ILCS 575/2(A)(3)-(5), have an interest in capital and earnings commensurate with his or her percentage of ownership.

THEREFORE, BE IT RESOLVED THAT,

The Board approves a policy of offering opportunities to MWDBE to provide brokerage business to the Fund. This policy, which is established to promote the efficient and continued operation of the Fund, is as follows[7]:

U.S. Equity Managers

Subject to best execution and where funds are not commingled, each active U.S. Equity manager shall:

A. Execute trades at an average per share cost not to exceed 3.5¢ per share.

B. If possible, direct 35% or more of the total commission dollars to MWDBE with a significant presence in Chicago, and preferably with an office located within the City of Chicago, or in the State of Illinois.

C. Submit a quarterly progress report, including:

   i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
   ii. dollar amount and percentage of total brokerage that is stepped out; and
   iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois.

D. If an U.S. Equity manager fails to comply with the above guidelines two quarters in a row, the U.S. Equity manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

Non-U.S. Equity Managers

Subject to best execution and where funds are not commingled, each active Non-U.S. Equity manager shall:

A. Except for dedicated Non-U.S. Small Cap and Emerging Market Equity mandates, execute trades at an average per share cost not to exceed 25bps per share.

B. For dedicated Non-U.S. Small Cap Equity and Emerging Market Equity mandates, execute trades at an average per share cost not to exceed 30bps per share.

C. If possible, direct 10% or more of the total commission dollars to MWDBE with a significant presence in Chicago and Illinois, and preferably with an office located within the City of Chicago, or in the State of Illinois.

D. Submit a quarterly progress report, including:

[7] The Board shall review its brokerage policy annually by March 31st of each calendar year.

i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
ii. dollar amount and percentage of total brokerage that is stepped out; and
iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois.

E. If a Non-U.S. equity manager fails to comply with the above guidelines two quarters in a row, the Non-U.S. equity manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

Fixed Income Managers

Subject to best execution and where funds are not commingled, each active Fixed Income manager shall:

A. If possible, direct 25% or more of the total commission dollars to MWDBE with a significant presence in Chicago, and preferably with an office located within the City of Chicago, or in the State of Illinois.

B. Submit a quarterly progress report, including:

i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
ii. dollar amount and percentage of total brokerage that is stepped out;
iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois; and
iv. The Fixed Income manager’s process and assumptions in estimating trading costs.

C. If a Fixed Income manager fails to comply with the above guidelines two quarters in a row, the Fixed Income manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

SECURITIES LENDING POLICY

Adopted June 19, 1993
Revised September 30, 1995
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board, as fiduciaries, may lend securities owned by the Fund to a borrower provided that during the period of such loan, the Fund shall retain the right to receive, or collect form the borrower, all dividends, interest rights, or any distributions to which the Fund would have otherwise been entitled (40 ILCS 5/5-187.1); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Securities lending activities for the Fund shall be administered by the Fund's custodian or securities lending agent, as applicable, who is responsible for all recordkeeping, monitoring and reporting of loans of the Fund's securities.

- The Board may delegate the investment of collateral cash received from securities lending activities to the custodian or securities lending agent, as applicable. The custodian or securities lending agent, as applicable, may invest in:

    - Short-term obligations of companies whose commercial paper is rated A1, P1 or the equivalent by at least two national rating agencies;

    - Short-term obligations (up to 15%) that the custodian or securities lending agent, as applicable, classifies as second-tier;

    - Short-term obligations of banks whose certificates of deposit are rated A1, P1 or the equivalent by at least two national rating agencies;

    - Short-term obligations (up to 15%) that the custodian or securities lending agent, as applicable, classifies as second-tier;

    - Short-term obligations of the United States government or its agencies,

    - Repurchase agreements;

- Money market mutual funds; and
- The Northern Trust's Short Term Investment Fund (STIF) for Employee Benefit Trusts.

- The custodian or securities lending agent, as applicable, shall maintain a list of eligible borrowers in the securities lending program. The Fund's staff shall give the custodian or securities lending agent, as applicable, written authorization as to which borrowers the custodian or securities lending agent, as applicable, may lend the Fund's securities. The Fund's staff may revoke authorization to lend to a certain borrower at any time by giving the custodian or securities lending agent, as applicable, notice of such change.

- All loans shall be collateralized and marked to market daily as agreed by the two parties and set forth in the securities lending agreement.

- Revenues received from such securities lending shall be proportionately divided between the Fund and the custodian or securities lending agent, as applicable, agreed upon by the two parties.

- The time period for which the securities may be loaned shall not exceed one year.

- The Fund may withdraw from the securities lending program at any time by giving the custodian or securities lending agent, as applicable, written notice.

INVESTMENT MANAGER SELECTION POLICY

Adopted June 23, 2005
Revised October 29, 2009
Revised July 25, 2011
Revised November 17, 2014
Revised July 27, 2015

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)); and

Whereas, it is and continues to be the intention of the Board to administer a portion of the Fund's assets in compliance with the declared public policy of the State of Illinois, to wit: to encourage the trustees of public employee retirement systems to use emerging and minority investment managers in managing their system's assets 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 of emerging and minority investment managers in investment opportunities afforded by those retirement systems (40 ILCS 5/1-109.1(4) and (9)); and

Whereas, it is also the intention of the Board, within the bounds of financial and fiduciary prudence, to afford opportunities for managing the Fund's assets to Illinois emerging and minority investment management firms; and

Whereas, it is the intention of the Board, in the event of the funding or termination of an investment manager, or a transfer of assets, that the Fund utilize transition investment management services. To this end, the Board has retained and delegated ongoing transition investment management authority to investment managers acting in a fiduciary capacity to the Fund, and such transition investment manager selection for specific transition events is based on the ability of the transition investment manager to minimize the costs and risks associated with such events; and

Whereas, it is the intention of the Board that during such interim periods wherein there may be, or are, funds and assets that periodically are not under the management and supervision of transition investment managers or investment managers, including during any transition of investment management services or rebalancing of assets, that in accordance with Section 1(b) of 40ILCS 5/1-109.1, the Fund's Executive Director or Chief Investment Officer, as fiduciaries, take such actions they deem necessary and prudent, including the executing of contracts and trading of securities and the Fund's assets, until such funds and assets are transitioned to a transition investment manager or under the management of an investment advisor, as the case may be, or the rebalancing of assets has taken place.

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board to use emerging investment management firms, as defined in 40 ILCS 5/1-109.1(4), and minority investment management firms, as defined in 40 ILCS 5/1-109.1(9), to the greatest extent feasible within the bounds of financial and fiduciary prudence, which among other things shall be achieved through consultation and pursuant to the advice of the Fund's investment advisors.

It shall be the policy of the Board to ensure that no barrier exists to the full participation of emerging and minority investment managers in the investment opportunities afforded by the Fund. The Board shall attempt to achieve full participation of emerging and minority investment managers as follows:

(1) The Fund's investment advisor shall include in any investment manager search no less than three qualified emerging or minority management firms to provide the investment product or strategy sought, and if less than three qualified emerging or minority investment management firms are recommended, the investment advisor shall notify the Board of the reason(s) for the non-inclusion. A qualified manager is defined as one who meets the selection criteria upon which the search is organized; and

(2) The Fund's investment advisor shall annually advise the Board of the emerging and minority investment managers that have been added to the database used by the investment advisor in the conduct of searches; and

(3) The Fund's investment advisor shall include in all manager searches no less than three Illinois firms that provide the investment product or strategy sought. If less than three qualified Illinois firms are recommended, the investment advisor shall notify the Board of the reason(s) for the non-inclusion. An Illinois firm is defined as one registered to do business, and having a principal office in the State of Illinois; and

(4) The Board shall take significant steps to contract with minority owned businesses[8], female owned businesses[9] and businesses owned by a person with a disability[10] (collectively minority, women and disability business enterprise or "MWDBE")[11] through one or more of the following relationships: retaining qualified MWDBE firms directly as active or passive portfolio managers as a result of a generalized or special search, or retaining a consultant to assemble a portfolio of MWDBE firms on a fully discretionary and/or collaborative basis and or through a fund-of-fund structure.

It shall be the policy of the Board, always mindful of its fiduciary obligation to its past, present and future annuitants, to strive to achieve the following goals[12] in awarding investment manager contracts:

By Asset Class (for Emerging Investment Managers)	Range	
	Low	High
Equity	7%	9%
Fixed Income	2%	4%
Alternatives	3%	4%

[8] "Minority owned business" shall have the definition set forth in 30 ILCS 575/2(A)(3).
[9] "Female owned business" shall have the definition set forth in 30 ILCS 575/2(A)(4).
[10] "Business owned by a person with a disability" shall have the definition set forth in 30 ILCS 575/2(A)(5).
[11] "MWDBE" owners must, in addition to the definitions set forth in 30 ILCS 575/2(A)(3)-(5), have an interest in capital and earnings commensurate with his or her percentage of ownership.
[12] The percentage goals are based on the Fund's total dollar amount of the investment manager contracts. The Board shall review these goals annually by June 30th of each calendar year.

By Asset Class (for Minority Investment Managers)	Range	
	Low	High
Equity	2%	4%
Fixed Income	0%	2%
Alternatives	0%	1%
By Asset Class (for Emerging and Minority Investment Managers-TOTAL)	Range	
	Low	High
Equity	11%	13%
Fixed Income	3%	5%
Alternatives	4%	5%
By Category (for Emerging Investment Managers)	Range	
	Low	High
Minority-owned	4%	5%
Women-owned	1%	2%
Person with disability-owned	0.25%	0.5%
By Category (for Minority Investment Managers)	Range	
	Low	High
Minority-owned	2%	4%
Women-owned	0%	1%
Person with disability-owned	0%	0.25%
By Category (for Emerging and Minority Investment Managers)	Range	
	Low	High
Minority-owned	4%	5%
Women-owned	1%	2%
Person with disability-owned	0.25%	0.5%

It shall be the policy of the Board, once it determines to select a manager(s) for hire, to make a motion in open session to retain the services of such manager(s) subject to finalization of the contract to the satisfaction of the Executive Director, Chief Investment Officer and Board Counsel.

It shall be the policy of the Board that the Executive Director or Chief Investment Officer, once negotiations are complete, to notify the Chairman of the investment committee that a contract(s) has been approved for retention. At that point, should transition investment management services be needed to fund such commitment, the Board further hereby delegates authority to and does direct the Executive Director or Chief Investment Officer to work with the Board's investment consultant to obtain transition investment management services. At the discretion of the Executive Director or Chief Investment Officer, a bid process may or may not be used depending on the transition needs of the Fund at the time of the proposed action.

The Board further hereby delegates authority to and does direct the Executive Director or Chief Investment Officer, once a new mandate has been funded in whole or in part, to report to the Board in open session, the pertinent terms of the agreed to contractual relationship, the manner in which such mandate was funded in whole or in part, and any other details deemed appropriate. The Board, in enacting this aforementioned policy, understands that its fiduciary responsibility can best be met by closing any investment activity from public scrutiny until such time as the Fund's staff has been able to execute Board investment initiatives, and once complete, a full report in open session shall be reported by the Fund's staff for the public record.

It shall be the policy of the Board, once it determines to terminate a manager(s), to make a motion in open session to terminate such manager(s). Further, the Board hereby delegates authority to and does direct the Executive Director or Chief Investment Officer, once the transfer of assets from such terminated manager(s) has been completed, to report such fact to the Board in open session.

It shall be the policy of the Board that the Fund's Executive Director and Chief Investment Officer shall have authority to execute contracts, upon completion of a legal review of any such contract, and trade securities and the Fund's assets during any interim periods, which period should not exceed 45 days, wherein there may be, or are, funds and assets that are not under the control and supervision of the transition investment managers or investment managers, or the rebalancing of assets is being implemented. The Board hereby delegates authority to and does direct the Fund's Executive Director or Chief Investment Officer, as fiduciaries, to take such actions they deem necessary and prudent, including the executing of contracts and trading of securities and the Fund's assets, during any such above-described interim periods.

It shall be the policy of the Board that all investment managers shall comply with all statutes currently applicable to the Board and the Fund, as may be amended, supplemented, or added from time to time.

INVESTMENT MANAGER MEETINGS (PROCEDURES FOR CONDUCTING)

Adopted November 21, 1989
Revised May 17, 2002
Revised April 22, 2010
Revised November 17, 2014
Revised August 1, 2017

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT

It shall be the policy of the Board that the Chief Investment Officer shall endeavor to meet with each of the Fund's investment managers on an annual basis, but no less than biennially. The Chief Investment Officer shall report the results of such review to the Board in a timely manner. When deemed necessary by the Chief Investment Officer and/or investment consultant, investment managers will be brought in front of the Board for a formal presentation. The presentation should contain the information stated below.

- Organization and Product Overview. The investment manager shall provide a brief overview of the current and historic ownership, management, and senior level staffing of its organization. The investment manager shall also disclose its current assets under management, the number of clients it serves, and the number of investment professionals it employs. Further, the investment manager shall provide information regarding any change in the ownership and/or management structure of its firm in the past three years.

- Performance. The investment manager shall provide data comparing the performance of the portfolio it manages on behalf of the Fund with the agreed-upon benchmark ("Performance Data"). The Performance Data should be shown on a calendar quarter basis, net of fees, with annual and cumulative (3-year, 5-year, and since inception, as applicable) summaries and should also include a comparison of the relevant portfolio characteristics of the asset(s) that it manages on behalf of the Fund with the portfolio characteristics of the agreed-upon benchmark. All Performance Data should be as of the most recent calendar quarter-end. The investment manager may also provide more current up-to-date Performance Data as supplemental information.

- Client and Personnel Turnover. The investment manager shall provide the number and size of all accounts it gained or lost in each of the last three years. The investment manager shall also provide the names of all investment professionals who either joined or left its firm in each of the last three years, who were involved in the investment decision-making process, research or client servicing function. In addition, the investment manager shall detail any other information about its staff that the Board would consider material, such as reassignments of responsibility, prospective additions, etc.

- Investment Guidelines. The investment manager shall provide an affirmative statement that the portfolio it manages on behalf of the Fund has been in compliance with all Board policies and guidelines. If there have been any violations, the investment manager shall disclose the violation and how it was resolved. Further, the investment manager shall describe the compliance process it employs to insure adherence to its internal policies and guidelines and identify any provisions in the Fund's current investment policies and guidelines or benchmarks that constrain or impair its investment process. If the investment manager identifies any such constraints or impairments, it should suggest alternatives.

- Trading Practices. The investment manager shall provide a report on its firm's trading practices including:

    - A description of its trading practices and personnel;

    - A list of all broker/dealers used over the past 12 months, the amount of trading executed with each and the average commission cost for each;

    - For its firm as a whole, a complete report of all services received from broker/dealers (including any third-party services or material services) paid for with commissions (either by "paying up" or through formal soft dollar arrangements), and the dollar value of all items (cost of item or soft dollars spent on its acquisition). The investment managers shall also identify what portion of this amount is borne by the Fund's account.

    - A report of all directed brokerage activity for the Fund's account over the past 12 months. The investment manager shall include a clear statement regarding whether it believes this practice has negatively impacted the portfolio's net performance.

- Regulatory and Legal Issues. The investment manager shall report on any and all litigation involving its firm or any of its investment professionals. Its report shall include any SEC (or other regulatory agency) actions, suits, sanctions, citations, or censures and shall also mention any other events that the Board would consider material.

- Additional Information. The investment manager shall provide any additional information or material that it feels would help the Board to understand its firm, its investment management team, its investment philosophy, the outcomes, the economy, or the market environment.

- Topical Subject. From time to time, the Board may ask the investment manager to spend 15-20 minutes covering a topic of general interest as an educational session with the Board. The investment manager shall feel free to suggest possible topics to the Fund's consultant.

- Materials. The Fund's office should receive the investment manager's presentation materials a minimum of 7 days before the Board's meeting for distribution to the Board. Additionally, copies of the investment manager's presentation materials should be sent to the Fund's consultant.

RESTRICTIONS ON INVESTMENTS

ASSAULT WEAPONS

Adopted January 31, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board that, subject to an investment manager's exercise of its fiscal and fiduciary duty, all investment managers shall refrain from purchasing or holding securities of an assault weapons manufacturer if the investment manager determines that the same investment goals concerning risk, return and diversification can be achieved through the purchase or holding of another security.

For purposes of this policy, "assault weapon" shall mean a weapon identified as an assault weapon the civilian possession of which is prohibited by the Municipal Code of Chicago or the laws of the State of Illinois and "assault weapons manufacturer" shall mean any entity that derives revenue from the sale of such prohibited assault weapons for civilian use.

These provisions governing restrictions on investment expire, by their terms, on January 1, 2015, unless extended by further Board action.

INVESTMENT MANGERS WATCH LIST TRIGGERS

Adopted January 31, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board to place the investment manager on the Fund's "Watch List" and to take such other action described more fully below, if the investment manager fails to satisfy the Board with respect to the following qualitative and quantitative factors:

Qualitative Factors

Deviation from stated investment style and philosophy: The investment manager shall be placed on the Fund's Watch List and shall further be terminated if the investment manager's investment style and philosophy is no longer consistent with its initially stated objectives.

Changes in ownership/business plan: The investment manager shall be placed on the Fund's Watch List, if the Board determines that such change may detrimentally affect its performance.

Client Servicing: The investment manager shall be placed on the Fund's Watch List, if service deterioration inhibits its ability to monitor the Fund's assets and shall further be terminated if the issue is not resolved.

Key personnel turnover: The investment manager shall be placed on the Fund's Watch List and shall further be terminated if key personnel turnover may impair the firm's investment capabilities.

Material change in clients AUMs: The investment manager shall be placed on the Fund's Watch List, if the Board determines that such change may detrimentally affect performance.

Advent of material litigation: The investment manager shall be placed on the Fund's Watch List, if the nature, seriousness, and likely impact of the charges against the firm and investment product warrant it.

Failure to comply with investment guidelines, investment policy, ethics policy, or rules and regulations: The investment manager shall be placed on the Fund's Watch List and shall further be terminated depending on the seriousness of the breach.

Deterioration in Consultant's qualitative score: The investment manager shall be placed on the Fund's Watch List, if the Fund's consultant determines that the deterioration reflects factors that may detrimentally affect performance. Examples of such factors include: staff changes, ownership changes, and deviations from the investment process.

Quantitative Factors

Deterioration in Consultant's quantitative score: The investment manager shall be placed on the Fund's Watch List, if the Fund's consultant determines that the investment manager's current performance (absolute and risk adjusted) is inconsistent with historical performance of the product and the investment manager's investment philosophy.

PROXY VOTING POLICY
Adopted [ ]
Revised July 2009
Revised November 17, 2014

Proxy Voting

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board, and the Board, consistent with its previous written instructions to its investment managers, hereby delegates authority to and does direct that its investment managers vigorously vote all proxies solely in the best interests of the Fund's plan beneficiaries. Proxy voting activities shall be monitored by the Fund's staff. It shall be the policy of the Board, and the Board, consistent with its previous written instructions to its investment managers, hereby delegates authority to and does direct that, as part of the monitoring process, all investment managers provide the following information during the annual review process or upon request regarding the investment manager's proxy voting activities:

1. The investment manager's current proxy voting policies;

2. A summary and detailed records of all proxies voted;

3. A statement indicating whether the investment manager voted in conformance with its proxy voting guidelines; and

4. A statement indicating whether the investment manager voted in the best interests of all Fund participants.

The Fund's staff shall review the investment manager's reports to determine if the investment manager's actions are in compliance with the Fund's instructions and the investment manager's policies. The Fund's staff shall report the findings of the review annually to the Board.

(This page left blank intentionally.)

Section 6

INVESTMENT MANAGER GUIDELINES

U.S. EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
DENALI ADVISORS, LLC.
LARGE CAP VALUE EQUITY STRATEGY
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted November 30, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Securities must be listed on the New York Stock Exchange, American Stock Exchange or the NASDAQ and registered with the Securities and Exchange Commission.

3. No security may represent more than 10% of the market value of the portfolio. Positions should be in issues with sufficient float so as to facilitate, under most market conditions, prompt sale without severe market impact.

4. The portfolio will not hold more than 1% of a single issuer's total outstanding equity capital and may not invest in shares of any company where the Portfolio Manager holds greater than 5% of the issuer's total outstanding equity capital across the aggregate of all client accounts.

5. The percentage of the portfolio (based on market value) in any one sector shall not exceed the greater of 2x the weight of that sector in the benchmark or the benchmark sector weight plus 5% (five percentage points).

6. A maximum of 5% of the portfolio may be held in cash.

If market price movements cause the portfolio to violate any of these guidelines, the Portfolio Manager will have 30 days to move the portfolio back into compliance

Investment Objective

1. To exceed the annualized rate of return of the Russell 1000 Value Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking within a universe of managers with a similar large-cap value style.

INVESTMENT GUIDELINES FOR
FISHER INVESTMENTS
SMID CAP VALUE US EQUITY
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted February 28, 2013

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised [September 25, 2012].

The benchmark for the portfolio will be the Russell 2500 Value Index (the "benchmark").

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Adviser should invest primarily in equity securities of issuers domiciled in, or organized under the laws of, the countries that comprise the benchmark.

3. For the purposes of these policies and guidelines, equity securities include common stocks, securities convertible into common stocks, preferred stocks, warrants, and rights to subscribe for common stocks, and exchange traded funds (ETFs).

4. The portfolio may hold up to 60% in securities outside the market cap range of the Russell 2500 Value Index.

5. The portfolio will be well diversified and will typically contain 60-100 issues.

6. Aggregate equity securities will comprise approximately 80% to 100% of the portfolio's market value. Cash equivalents may be held to a maximum of 20% of the portfolio's market value.

7. No individual security will have a weight in the portfolio greater than 5% at market.

8. Maximum exposure to any one sector will be based on the benchmark and will fall within the following ranges at market value:

    - if the benchmark weight is between 0-10% the maximum portfolio weight is the benchmark weight plus 20%

    - if the benchmark weight is greater than 10% the maximum portfolio weight is three times the benchmark weight

9. Individual ETF positions will be limited to 10% each of the portfolio at market value.

10. Average annual portfolio turnover will generally not exceed 60%.

11. Prohibited transactions include the following:
    - investments in non-marketable securities
    - private equity securities

- private or direct placement securities
- commodities
- real estate investment (REITs are permitted)
- short sales
- margin purchases
- securities lending
- options or other derivative securities
- Futures may be used for the sole purpose of hedging portfolio cash flows.
- The use of any form of derivative security or investment strategy that leverages the portfolio is prohibited.

Rebalancing

The maximum investment limits set forth above that are based on market value will be corrected within 5 business days. If market fluctuations cause the investments to fall within such maximum investment limits within such 5-business day period, no corrective action may be necessary.

Investment Objective

1. To exceed the annualized rate of return of the Russell 2500 Value Index, net of fees, over reasonable three-year rolling periods.

2. To achieve an above-median ranking, net of fees, within a universe of managers with similar small/mid-cap value style.

INVESTMENT GUIDELINES FOR
GREAT LAKES ADVISORS
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted September 30, 1989
Revised April 26, 1990
Revised August 24, 1993
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Great Lakes Advisors is to invest the portfolio under management up to a maximum of 100% in common stock.

3. The manager shall be responsible for determining the amount of the portfolio's assets to be invested in stock and cash equivalents.

4. The investment manager will have full discretion in determining the level of diversification within the portfolio.

Investment Objectives

1. To exceed the rate of return of the S&P/BARRA Large Value Stock Index over reasonable measurement periods, net of fees. Prior to September 30, 1993, the performance benchmark was the Wilshire 5000 Stock Index. Prior to September 30, 1989, the performance benchmark was the S&P 500 Stock Index.

2. To achieve an above-median ranking within a universe of common stock funds.

INVESTMENT GUIDELINES FOR
HOLLAND CAPITAL MANAGEMENT LP
LARGE CAP GROWTH EQUITY STRATEGY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted December 30, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Investments are limited to equity securities of domestically listed companies that are traded on U.S. exchanges, American Depository Receipts (ADRs) and/or dollar-denominated foreign securities, cash equivalents and/or fixed income securities including short-term collective funds administered by the Custodian/Trustee, obligations issued or guaranteed by the U.S. government, federal agencies, and government sponsored entities, obligations of domestic commercial banks and bank holding companies, including commercial paper, bankers acceptances, certificates of deposit, time deposits, notes and bonds.

3. The portfolio is generally to be fully invested with 95%-100% in equity securities and no more than 10% in cash equivalents and/or fixed income securities.

4. No single market sector shall represent more than 30% of the market value of the portfolio, or its comparable representation of the Russell 1000 Growth index, whichever is larger.

5. No individual security holding shall constitute more than 5% of the market value of the portfolio, or its equivalent representation in the Russell 1000 Growth, index whichever is greater.

6. ADR's and/or other foreign U.S. dollar denominated common stocks and related equity securities traded on major U.S. stock exchanges or the U.S. over-the-counter market shall not represent more than 15% of the portfolio.

7. Prohibited transactions include the following:

   - investments in non-marketable securities
   - private equity securities
   - private or direct placement securities
   - commodities
   - real estate investment (REITs are permitted)
   - short sales
   - margin purchases
   - securities lending
   - options or other derivative securities (except futures)

8. Futures may be used for the sole purpose of hedging portfolio cash flows. The use of any form of derivative security or investment strategy that leverages the portfolio is prohibited.

9. Holland Capital shall direct the Custodian in the voting of all proxies on behalf of the Policemen's Annuity and Benefit Fund of Chicago.

Investment Objective

1. To exceed the annualized rate of return of the Russell 1000 Growth Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking within a universe of managers with a similar large-cap growth style.

INVESTMENT GUIDELINES FOR
MONTAG & CALDWELL
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted November 21, 1996
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Montag & Caldwell is to invest the portfolio under management up to a maximum of 100% in common stock.

3. The manager shall be responsible for determining the amount of the portfolio's assets to be invested in bonds and cash equivalents. The manager may invest in fixed-income securities of any maturity at any time in a percentage that is at the manager's sole discretion.

4. The investment manager will have full discretion in determining the level of diversification within the portfolio.

Investment Objectives

1. To exceed the rate of return of the Russell 1000 Growth Stock Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of common stock funds.

INVESTMENT GUIDELINES FOR
NORTHERN TRUST INVESTMENTS NTGI RUSSELL 1000
FOR THE POLICEMEN’S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted September 25th, 2012

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The portfolio will be invested in Northern Trust Collective Russell 1000 Index Fund – Non-Lending.

The portfolio shall be constructed to fully replicate the assigned index.

Administrative duties, such as custody of assets, security settlement, and dividend collection, are the responsibility of the portfolio manager.

Investment Objective

To match the rate of return of the Russell 1000 Stock Index, gross of fees.

INVESTMENT GUIDELINES FOR
WILLIAM BLAIR (SMID CAP GROWTH)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted October 28, 2004

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1. In accord with the applicable portions of the Pension Code, above referenced, the Adviser may invest in the following equity securities:

    - The common stocks are listed on a national securities exchange or board of trade or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
    - The Adviser may invest at least 80% of the assets in stocks of small and medium-sized domestic companies which have market capitalizations of $12 billion or less at time of purchase. Up to 20% of the assets may be invested in companies with market capitalizations greater than $12 billion or in cash equivalents.
    - The Adviser may invest up to 15% of the portfolio in American Depository Receipts or substantially similar instruments that are based on foreign securities or in securities exempt from registration under the Securities Act of 1933 such as rule 144A securities.

2. The Adviser may invest up to 10% of its portfolio in cash or cash equivalents.

3. Options, financial futures, private placements, or venture capital may not be purchased.

4. No single security in the Adviser's portfolio will comprise more than 5% of the portfolio's equity allocation at the time of purchase, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation.

5. The following investment activities are prohibited

    - Naked call options, puts or straddles
    - Futures or options except when acquired to hedge portfolio risk
    - Margin buying, short selling or any strategy or instrument involving the use of leverage
    - Over-the-counter derivative securities
    - Commodities and commodity contracts
    - Lease-backs and conditional sales contracts
    - Private Real Estate (publicly traded REITs are allowed)
    - Limited partnerships
    - Non-dollar denominated equity securities
    - Letter stock
    - Other investments with characteristics similar to those above

Investment Objectives

1. To exceed the annualized rate of return of the Russell 2500 Growth Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of managers with a similar small/mid cap growth style.

Section 7

NON-U.S. EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
ACADIAN ASSET MANAGEMENT LLC
Non-U.S. Equity Small Capitalization
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted February 28, 2013

The benchmark for the portfolio will be the MSCI EAFE Small Cap (the “benchmark”).

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

The Portfolio will principally invest in common stocks traded on equity markets. Also permitted:
Preferred shares, securities convertible into other equities, depository receipts, and other equity securities.
Limited partnerships, REITS, Canadian income trusts, units, unit trusts, rights and warrants.
All securities and security types included in the benchmark.
Forward currency contracts for the purpose of hedging currency fluctuations during settlement

Opportunistic currency hedging is allowed up to 50% of portfolio value.

The Portfolio will not:
Purchase securities on margin
Sell securities short
Use derivatives, including equity index swaps and equity index futures, unless specifically permitted above
Leverage the portfolio
Purchase 144A securities

The Portfolio will generally hold 5% cash or less. The limit may occasionally be exceeded due to contributions, withdrawals, or other special circumstances.

Markets included in the MSCI EAFE Small Cap index and Canada are permissible for investment. In addition, investment in countries not described above is permitted on an opportunistic basis up to 10% of portfolio value at time of purchase. A security’s country classification will be determined according to MSCI, or according to S&P if not covered by MSCI. If not covered by either, the country where it primarily trades or its country of domicile or incorporation will be used to determine the classification.

The holdings of any one issuer will generally not exceed 5% of the total portfolio value or twice the MSCI EAFE Small Cap benchmark weight for that issuer, whichever is larger. This guideline applies at time of purchase. This guideline excludes forward currency positions and securities issued by sovereign governments

Investment Objective

1. To exceed the annualized rate of return of the MSCI EAFE Small Cap Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of non-U.S. small cap managers.

INVESTMENT GUIDELINES FOR
ARTISAN PARTNERS
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005
Revised June 29, 2006
Revised January 28, 2008

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised on January 28, 2008.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The Account shall be invested at the discretion of Artisan Partners with regard to individual security selection, subject to compliance with the applicable standards under the Employee Retirement Income Security Act of 1974, as amended, and these guidelines.

3. Holdings will generally consist of publicly traded corporate equities (including common and preferred stocks, warrants, and ADRs) of companies domiciled or whose primary business activities or principal trading markets are outside the United States.

4. Holdings in emerging market countries (as defined by MSCI) will be kept to a maximum of 2X the emerging markets exposure of the MSCI All-Country World ex-U.S. Index.

5. The Account will generally be diversified across a minimum of eighteen (18) countries. The maximum allocation to any one country will not generally exceed thirty percent (30%) of the value of the Account.

6. Investment in any one industry will not generally exceed twenty-five percent (25%) of the value of the Account.

7. No single security will exceed five percent (5%) of the market value of the Account at the time of purchase.

8. The Account will not employ leverage, purchase securities on margin, sell securities short, purchase securities in private placements (except Rule 144A securities), or write or sell options.

9. Currency hedging may be utilized for defensive purposes to protect the Account's value in U.S. dollars but may not exceed 20% of the total market value of the Account.

10. The cash portion of the Account shall be invested in short-term investment funds to be designated by Client or Client's custodian from time to time. Cash will not generally exceed ten percent (10%) of the value of the Account.

11. The manager should select and weight international common stock investments in the account in order to achieve the highest possible long-term total rate of return while managing portfolio risk.

12. The Account may invest in listed or over-the-counter un-leveraged, equity-linked instruments; provided, however, that the Account will not invest (i) more than 10% of its total assets in such instruments, and (ii) more than 5% of its total assets in such instruments issued by a single counterparty (in each case measured at market value at the time of purchase).

Investment Objectives

1. To exceed the annualized rate of return of the MSCI All-Country World ex-U.S. Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of managers with a similar small/mid cap growth style.

INVESTMENT GUIDELINES FOR
EARNEST PARTNERS LLC
Emerging Markets Equity Strategy
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO (the "Fund")

Adopted 2013

These investment guidelines (the "Investment Guidelines") extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" (the "Investment Policy") as adopted and most recently revised February 28, 2013. In the event of any conflict between these Investment Guidelines and the Investment Policy, the Investment Policy shall control.

The benchmark for the Portfolio will be the MSCI Emerging Markets Index (the "Benchmark").

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Portfolio will principally invest in common stocks traded on equity markets. Appropriate investments include without limitation non-U.S. dollar denominated equity and equity-linked securities (including REITs) and U.S. dollar denominated foreign equity and equity-linked securities including exchange traded funds ("ETFs"), American Depository Receipts ("ADRs"), European Depository Receipts ("EDRs"), and Global Depository Receipts ("GDRs"). Also permitted:
    - Preferred shares, securities convertible into other equities, and other equity securities
    - All securities and security types included in the Benchmark
    - Forward currency contracts for the purpose of hedging currency fluctuations during settlement

3. The Portfolio will not:
    - Purchase securities on margin
    - Sell securities short
    - Use derivatives other than those specified above
    - Leverage the portfolio
    - Purchase 144A securities

4. Notwithstanding anything in these Investment Guidelines to the contrary, affiliated or unaffiliated mutual funds, investment funds, trust or other pooled investment vehicles may be used to establish market positions more efficiently than otherwise possible. No one fund will represent more than 7.5% of the gross assets of the total Portfolio. It is understood and agreed that some countries (e.g. China) may impose limitations and restrictions on the repatriation of capital. Each investment fund shall be subject to the provisions of its prospectus, trust deed and/or subscription documents applicable to the investment fund, as amended and supplemented from time to time.

5. Equity holdings in any one company should not exceed 7.5% of the total Portfolio, measured at market value.

6. Equity holdings in one sector should not exceed the greater of 35% of the total Portfolio or 1.5 times the sector's weight within the Benchmark, measured at market value.

7. Country allocations should generally not exceed the greater of 25% of the total Portfolio or 2 times the Benchmark weight, each measured at market value.

8. Not more than 10% of the total Portfolio, measured at market value, may be held in un-invested cash.

9. Restrictions on Investments - If the Fund does not provide the Advisor with a list in writing of the specific securities (e.g. the ticker symbols or CUSIP numbers of such securities) which are to be prohibited from being purchased in the Portfolio, then any securities to be prohibited from purchase in the Portfolio will be determined solely by the generic screening criteria of MSCI or other third party provider. In the event that the generic screening is utilized by the Advisor for the Portfolio (i.e. the Fund has provided guidelines for prohibited securities but not specific names of securities), the Fund acknowledges that the Advisor may, from time to time, as a result purchase securities for the Portfolio that the Fund may subsequently determine should be prohibited from further investing in the Portfolio. In such cases, the Fund must notify the Advisor in writing as to whether to sell such securities and/or to prohibit the further purchase of such securities in the Portfolio. The Fund agrees that the Advisor will be held harmless for any loses that may occur in the Portfolio with respect to securities that are purchased in the Portfolio by the generic screening that the Fund did not specifically list in writing as being prohibited.

Investment Objective

1. To exceed the annualized rate of return of the MSCI Emerging Markets Index, net of fees, over a full market cycle.

2. To achieve an above-median ranking, net of fees, within a universe of emerging markets managers over a full market cycle.

INVESTMENT GUIDELINES FOR
LAZARD ASSET MANAGEMENT LLC
Developing Markets Equity Strategy
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted 2013
Revised March 22, 2016

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised.

The benchmark for the portfolio will be the MSCI Emerging Markets Index (the “benchmark”).

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Portfolio will principally invest in common stocks traded on equity markets. Also permitted:
    a. Preferred shares, securities convertible into other equities, depository receipts, and other equity securities.
    b. All securities and security types included in the benchmark.
    c. Forward currency contracts for the purpose of hedging currency fluctuations during settlement

3. The Portfolio will not:
    a. Purchase securities on margin
    b. Sell securities short
    c. Use derivatives other than those specified above
    d. Leverage the portfolio
    e. Purchase 144A securities

4. Generally, no more than 5% of the Account will be invested in any single security (as measured at the time of purchase) with a maximum position of 7% in any single security (as measured at market)

5. Generally, the range of holdings will be between 60 and 90 securities of companies domiciled in countries included in the MSCI Emerging Markets Index, and which are of sufficient liquidity as well as companies that derive more than 50% of their net assets and/or sales from emerging markets countries.

6. The Account will hold no more than 10% of the outstanding securities of an issue

7. The Account will generally remain fully invested with no more than 10% of the Account’s total assets comprised of cash or cash equivalents

Please see next page of this document for minimum and maximum ranges for country and sector weights (as measured at the time of purchase).

Minimum and Maximum Ranges:

Sector	(%)
Consumer Discretionary	0-20
Consumer Staples	0-15
Energy	0-25
Financials	0-40
Health Care	0-10
Industrials	0-25
Information Technology	0-30
Materials	0-25
Telecom Services	0-25
Utilities	0-15
Country (%):	
Brazil	0-25
Chile	0-5
China	0-40
Colombia	0-5
Czech Republic	0-5
Egypt	0-5
Greece	0-5
Hungary	0-5
India	0-20
Indonesia	0-10
Malaysia	0-5
Mexico	0-15
Peru	0-5
Philippines	0-5
Poland	0-5
Qatar	0-5
Russia	0-20
South Africa	0-20
South Korea	0-25
Taiwan	0-20
Thailand	0-10
Turkey	0-15
United Arab Emirates	0-5
Other (aggregate)	0-10

Investment Objective

1. To exceed the annualized rate of return of the MSCI Emerging Markets Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of emerging markets managers.

INVESTMENT GUIDELINES FOR
UBS GLOBAL ASSET MANAGEMENT (INTERNATIONAL EQUITY)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted March 27, 1984
Revised August 21, 1984
Revised July 28, 1987
Revised September 30, 1989
Revised October 31, 1991
Revised June 23, 2005
Revised May 15, 2006

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised May 15, 2006.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The portfolio will not invest in any forbidden entity as defined by Illinois Public Act 094-0079.

3. UBS will construct a diversified portfolio that will typically hold between 100-200 securities. The only bias of the portfolio is toward stocks in which, according to the adviser, a material discrepancy exists between its market price and its intrinsic value.

Permissible Investments

1. Common or preferred shares of foreign corporations listed and traded on nationally recognized exchanges or over the counter markets.

2. Convertible bonds, debentures or preferred shares which are convertible into corporate stock.

3. Warrants or rights to equity securities.

4. Cash or cash-equivalent securities, including money market mutual funds and equivalent commingled funds; U.S. Treasury Bills; commercial paper; certificates of deposit; bankers' acceptances and repurchase agreements collateralized by US Treasury or Agency Securities.

5. SEC Rule 144A securities

6. The investment manager may engage in various transactions to hedge against currency risk. Forward contracts, futures and options may be used for currency hedging purposes.

7. The investment manager may use futures and exchange traded funds in order to equitize cash.

Prohibited Investments

1. Letter or restricted stock

2. Short sales of any type

3. Share purchases involving the use of margin

Portfolio Construction Guidelines

1. The portfolio will be diversified by sector, region, and country.

2. The maximum allocation to any one security will be limited to the greater of 5% of portfolio assets (at market value) or the issuer's benchmark (MSCI All Country World Ex-U.S. Index) weighting plus 5% of portfolio assets. Notwithstanding this limitation, no immediate liquidation of investment shall be required solely due to changes in market value.

3. Investment in emerging market companies will be limited to the greater of 25% or 2 times the emerging markets allocation in the MSCI All Country World Ex-U.S. Index.

4. The amount of cash and cash equivalents will not exceed 10% of the portfolio, except during periods of cash contributions and withdrawals.

If the manager breaches the portfolio construction guidelines due to market movements, it must notify the client regarding this matter.

Performance Measurement

1. The benchmark for this strategy is MSCI All Country World Ex-U.S. Index.

2. To achieve an above-median ranking within the Frank Russell Company universe of international stock portfolios.

INVESTMENT GUIDELINES FOR
WILLIAM BLAIR (INTERNATIONAL GROWTH)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005
Revised October 31, 2006
Revised April 20, 2007
Revised February 25, 2008

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised February 25, 2008.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. William Blair will invest in a growth-oriented, diversified portfolio that will typically hold between 140 - 200 securities. The firm's investment philosophy is to focus on companies with above-average growth prospects where growth can be sustained through leading or franchise positions in terms of proprietary products, marketing dominance, or cost/asset base advantage. Portfolio candidates typically have above-average prospective growth, evidence of sustainability of future growth, above average profitability and reinvestment of internal capital, and conservative capital structure relative to sector norms.

Permissible investments

1. Common or preferred shares of foreign corporations listed and traded on nationally recognized exchanges or over the counter markets.

2. Convertible bonds, debentures or preferred shares which are convertible into corporate stock

3. Warrants or rights to equity securities

4. Cash or cash-equivalent securities, including money market mutual funds and equivalent commingled funds; U.S. Treasury Bills; commercial paper; certificates of deposit; bankers' acceptances and repurchase agreements collateralized by US Treasury or Agency Securities

5. SEC Rule 144A securities

6. The investment manager may engage in various transactions to hedge against currency risk. Forward contracts, futures and options may be used for currency hedging purposes. The investment manager may hedge a maximum of 50% of the portfolio at market value.

7. The investment manager may use futures and exchange traded funds in order to equitize cash.

Prohibited Investments

1. Letter or restricted stock

2. Short sales of any type

3. Share purchases involving the use of margin

Portfolio Construction Guidelines

1. The portfolio will be diversified by region and country.

   - The minimum allocation to the UK, Europe ex-UK, and Japan, respectively, is 5% and the maximum allocation is 55%
   - The portfolio may invest a minimum of 5% of the portfolio up to a maximum of 35% in emerging markets companies

2. The portfolio will be diversified by sector as defined by the investment manager, with no individual sector representing over 35% of the portfolio, based on market value.

3. The maximum allocation to any one security is 5% of the portfolio (at market value). Notwithstanding this limitation, no immediate liquidation of investment shall be required solely due to changes in market value.

4. The amount of cash and cash equivalents will not exceed 10% of the portfolio, except during periods of cash contributions and withdrawals.

5. There are no market capitalization restrictions for securities in the portfolio.

6. If the manager breaches the portfolio construction guidelines due to market movements, it must notify the client regarding this matter.

Performance Measurement

1. The benchmark for this strategy is MSCI ACWI ex-US Index

2. A secondary benchmark is the MSCI ACWI ex-US Growth Index

3. To achieve an above-median ranking within the Frank Russell Company universe of international stock portfolios.

Section 8

FIXED INCOME MANAGERS

INVESTMENT GUIDELINES FOR
GAM
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Unconstrained Bond Fund, a commingled investment vehicle (the "Fund")

Adopted April 17, 2015

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised April 17, 2015.

The primary benchmark for the portfolio will be the Three Month LIBOR (the "Benchmark"); however the Barclays Capital Aggregate may be utilized as a secondary benchmark.

Eligible Investments

As set forth in the Fund's prospectus, as may be amended, modified or supplemented from time to time (the "Prospectus"):

The Fund, including through its investment in the Master Fund (as defined in the Prospectus), may invest in all types of bonds and currencies in any market, including emerging markets. These bonds, which may include mortgage and asset-backed related securities and structures, may have fixed or variable coupons, may be investment grade or sub-investment grade, rated or unrated, may be linked to equities or other asset classes (for example, convertible or exchangeable bonds), may have long or short tenor, may be denominated in any currency, and may be listed or unlisted, or exchange-traded or over-the-counter. Investment may also be made in shares of listed and unlisted collective investment vehicles, including closed-end funds whose investment universe is similar to that of the Fund, or to gain access to basic instruments in which the Fund may invest directly.

The Fund may also deal in derivatives either for investment or hedging purposes as the delegate investment manager deems appropriate. Derivatives may include, among others, futures contracts (including interest rate and index futures), swap contracts (including interest rate swaps, credit default swaps (CDS), for single issuers, CDS on indices, credit spread swaps, credit-linked total return swaps, currency swaps, inflation swaps, and total return swaps), contracts for differences, forward contracts (including foreign exchange contracts and interest-rate futures), options (including options on single issues, options on interest rate futures, options on interest rate swaps, interest rate caps and interest rate floors, options on CDS indices, options on currencies, options on single stocks, options on stock index futures, options on the implied volatility of stock indices, volatility swaps, and asset swapped convertible options), as well as derivatives on commodities, and insurance linked securities. The Fund may also use equity derivatives for hedging or portfolio enhancement purposes, for example, long put on equity securities when the Fund holds debt of the same company. The Fund may also use structured products including credit-linked notes, equity-linked notes, performance-linked notes, index-linked notes and other notes whose performance is linked to basic instruments in which the Fund may invest directly.

Duration

The typical average duration range of the Master Fund's portfolio is expected to be between -3 years to +5 years.

Maximum Sector allocations (% of Market Value)

In general, the Master Fund will invest in line with the below sector allocation limits. The limits below are net long or short (including derivatives exposure) as a percentage of total long exposure, including cash, at time of purchase.

Sector	Maximum (%)
Developed Governments	65
Investment Grade	40
Emerging Markets	25
Convertibles	20
High Yield Credit	15

Variances from the sector allocation limits may occur due to several factors, including changes in the market environment. The Fund and Master Fund may retain cash and cash equivalents in appropriate circumstances. Such circumstance may include holding cash on deposit pending investment in order to meet a withdrawal.

Investment Restrictions

As set forth in the Prospectus:

Although the governing documents of the Master Fund do not contain any restrictions on the investment of its assets, under normal circumstances, the Master Fund typically will not:

(A) invest more than 20 per cent. of its gross assets (defined below) in the securities of any one issuer. This limit will not apply to securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD member state or by any supranational authority of which one or more EU or OECD member states are members and any other state approved for such purpose by the Irish Stock Exchange;

(B) invest in real property or physical commodities;

(C) take or seek to take legal or management control of the issuers in which it invests;

(D) expose more than 20 per cent. of the value of its gross assets to the credit-worthiness or solvency of any one counterparty;

(E) allow its Value at Risk (defined below) to exceed 2.5 per cent. of its Net Asset Value using a 97.5 per cent. confidence level and a one month horizon; and

(F) short sell physical fixed income securities, but may enter into derivative transactions to effect a "synthetic" short position.

The term "gross assets", mentioned above in (A), means the total value of all investments held by the Master Fund before deducting any liabilities, including borrowings.

The restriction referred to in (D) above will not apply to any transaction between the Master Fund and another counterparty (i) that advances full and appropriate collateral to the Master Fund in respect of the transaction or (ii) that (a) is trading on or subject to the rules of a recognized exchange or with counterparties that have (or whose parent company has) a specified credit rating, (b) is regulated by the CFTC or the FCA or such other regulatory authority as may be agreed by the Irish Stock Exchange and (c) has financial resources of US$20 million (or its equivalent in another currency).

The expression “Value at Risk”, mentioned above in (E), is a measure of the potential change in the value of a portfolio of financial instruments with a given probability over a pre-set horizon.

Except where specified to the contrary, the above restrictions apply as at the date of the relevant transaction or commitment to invest. Changes in the investment portfolio of the Master Fund will not have to be effected merely because any of the limits contained in such restrictions would be breached as a result of any appreciation or depreciation in value, or by reason of the receipt of any right, bonus or benefit in the nature of capital or of any scheme or arrangement for amalgamation, reconstruction or exchange or by reason of any other action affecting holders of the relevant investment. However, no further relevant securities will be acquired until the applicable restriction is within the appropriate limit. In the event that any of the investment restrictions referred to in (A), (B), (D) and (E) are inadvertently breached, the investment manager will take prompt corrective action to rectify the breach taking due account of the interests of the Shareholders. The restriction referred to in (C) above may not be breached at any time.

Although the Master Fund may invest directly in securities, the above restrictions will not prevent the Master Fund from investing indirectly through one or more wholly-owned subsidiaries or other vehicles where the Master Fund’s Board of Directors consider that such an investment would be commercially and tax efficient or provide the only practicable means of access to the relevant security or investment.

The Master Fund has the power to borrow to cover late subscriptions, facilitate redemptions and payment of expenses, including where not doing so would otherwise result in the premature realization of assets. Leverage may also be achieved by the Fund or the Master Fund through the use of derivative instruments.

Investment Objective

Over a longer term time horizon, to achieve an annualized rate of return of 3%-5% over the Benchmark.

INVESTMENT GUIDELINES FOR
LM CAPITAL GROUP, LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 26, 2006

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June, 2006.

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The portfolio will not invest in any forbidden entity as defined by Illinois Public Act 094-0079.

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Government bonds
- U.S. corporate bonds
- Mortgage-backed securities
- Asset-backed securities
- Bonds and preferred stock convertible into common stock
- Preferred stock
- Municipal bonds
- Structured notes
- Cash equivalents
- Closed end bond funds
- Derivative mortgage-backed securities
- Bonds of developed non-U.S. issuers
- Bonds of emerging non-U.S. issuers
- Fixed income and currency futures, options, forward contracts and swaps
- Private placement bonds
- Rule 144(a) securities
- Commercial mortgage-backed securities
- Capital notes/Preferred trust certificates
- Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed on the following page on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Security Type Qualifications

1. The Portfolio may buy and sell exchange-traded and over-the-counter interest rate, credit, index and currency futures; currency, interest rate, total rate of return, and credit default swaps; currency, bond, and swap options; currency and bonds for forward settlement and other derivative instruments for risk management purposes and in pursuit of the Portfolio's investment objectives.

2. Futures, options and forward contracts are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities.

3. Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.

4. Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality

1. The total fixed income portfolio will maintain a minimum average credit quality rating of A-. The rating used to determine the quality of the individual securities will be the median of the ratings supplied by S&P, Moody's, and Fitch.

2. A maximum of 5% of the portfolio may be invested in unrated securities. These unrated securities will be deemed investment grade quality by LM Capital Group's internal credit analysis group.

3. The minimum allowable rating for any security at the time of purchase will be B3/B-.

4. Any securities that are downgraded below the minimum credit rating described above may be held at the manager's discretion. Policemen's Annuity and Benefit Fund, City of Chicago will be notified in writing of all such downgrades and/or bankruptcies, including the reasons behind these events as well as the manager's retention plan for these securities within the immediate time horizon.

Duration

The portfolio may be invested in securities covering the full range of available maturities. The average weighted effective duration of the portfolio shall not vary by more than +/- 20% of the average weighted effective duration of the Barclays Aggregate Bond Index.

Concentration Limits (all limits refer to the total market value of the portfolio)

1. Up to 20% of the portfolio may be invested in issues rated below BBB/Baa2.

2. Up to 5% of the portfolio may be invested in issues rated below B/B2.

3. Up to 10% of the portfolio may be invested in issues rated below BB+/Ba1.

4. Up to 20% of the portfolio may be invested in U.S. Dollar-denominated emerging market securities.

5. UP to 10% of the portfolio may be invested in non- U.S. Dollar-denominated securities.

6. Up to 10% of the portfolio may be invested in Private Placements (excluding securities eligible for resale under rule 144A).

Diversification Requirements

1. No more than 25% of the Portfolio's assets may be invested in securities of issuers in any one industry excluding U.S. government and U.S. government agencies.

2. Obligations of other issuers or issues are subject to a limit of 5% of portfolio.

3. U.S. government, U.S. government agencies, or U.S. government-sponsored corporations and agencies, and obligations issued by other national governments may be held without limit.

4. The cumulative allocation to US High Yield, Non-US Dollar denominated bonds and emerging market debt shall not exceed 30% at any time.

Currency Hedging

LM Capital Group, LLC may engage in transactions to hedge against currency risks. Forward contracts, Futures and Options may be used for currency hedging purposes. LM Capital Group, LLC is not permitted to utilize these transactions for speculative purposes.

Prohibited Transactions

5. The portfolio shall not be invested in interest only or principal only securities.

6. The portfolio shall not be invested in mortgage residuals or direct real estate.

7. The portfolio shall not be invested in common stocks or commodities or derivatives thereof.

8. The portfolio shall not be invested in derivative instruments (including leveraged structured notes) except as authorized for currency hedging purposes.

9. No assets shall be committed to short sale contracts.

10. The portfolio shall not use leverage except for rolling mortgage pass-through securities.

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.

2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

2. The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

INVESTMENT GUIDELINES FOR
MACKAY SHIELDS LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Unconstrained Bond Portfolio

Adopted March 5, 2015

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised March 5, 2015.

The primary benchmark for the portfolio will be the Three Month LIBOR + 3% (the “benchmark”), however, the Barclays Capital Aggregate Index will be utilized as a secondary benchmark.

The Investment Manager is authorized to invest in the major fixed income markets with a focus on liquidity and capital preservation. 100% of the portfolio will be traded in U.S. dollars. The manager is allowed to invest in the following types of securities:

- those issued or guaranteed by the US or foreign governments;
- corporates issued by US or foreign corporations;
- obligations of international or supranational entities;
- municipal bonds;
- mortgage-related and other asset-backed securities;
- convertible bonds;
- variable or floating rate debt (including bank loans)

Minimum Credit Quality and Duration

Portfolio average credit quality must be BB+ or higher (as defined by S&P, Moody’s, or Fitch). For split rated securities the manager will employ the median rating (following the benchmark methodology).

Non-rated securities (MacKay Shields internal rating will apply) can be purchased up to 20% of the total market value of the portfolio

Duration must be between 0 to 7 years

Maximum Sector Ranges (% of Market Value)

Corporates	0 - 100%
High Yield	0 - 60%
Bank Loans	0 - 50%
Emerging Markets	0 - 40%
Convertibles	0 - 20%
Agency pass throughs/TBAs	0 - 100%
Non-agency MBS/CMBS/ABS	0 - 50%
Sovereigns/Treasuries/Agencies	0 - 100%
Municipals	0 - 25%

Ineligible Investments

- Stock Options
- Commodity Contracts
- Real Estate

Other Restrictions

- Use of leverage is not permitted
  - The following do not constitute leverage:
    - Futures notional exceeding 100% of the portfolio (i.e. futures notional constrained by duration limit of 0-7 years). Futures notional is limited to 300%.
    - Holding futures which are not 100% collateralized by cash and cash equivalents.
- Short sales are not permitted
- Futures contracts may be used for hedging interest rate risk
- Use of credit default swaps and total return swaps is not permitted

Investment Objective

1. To exceed the annualized rate of return of LIBOR + 3% and the Barclays Capital Aggregate Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of total fixed income managers.

INVESTMENT GUIDELINES FOR
MANULIFE ASSET MANAGEMENT
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO
Adopted December 15, 2014

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised December 15, 2014.

The benchmark for the portfolio will be the Barclays Global Aggregate Index (the “benchmark”).

The Strategy invests primarily in global debt securities and other fixed income and related instruments as deemed by the portfolio manager to be consistent with the investment objective. The Strategy focuses its investments in government, corporate and securitized debt securities and other instruments issued in developed and emerging markets countries, which may be denominated in U.S. dollars or other foreign currencies.

Subject to the restrictions outlined below, the Strategy invests in a variety of debt securities and other fixed income and related instruments, including, but not limited to, U.S. and foreign government, agency and corporate bonds, debentures and notes (including emerging market and high yield securities), mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, bank loans, variable and floating rate securities, inflation linked securities, stripped debt securities, zero-coupon securities, when-issued securities, privately placed unregistered securities (including Rule 144A with and without registration rights and Regulation S securities), municipal bonds and convertible securities.

The Strategy may invest in unrated securities, preferred stocks, real estate investment trusts and exchange-traded funds (“ETFs”), as well as commercial paper, cash and cash equivalents, and derivative instruments, all as deemed by the portfolio manager to be consistent with the investment objective.

The Strategy invests in foreign currencies and engages in other foreign currency transactions, such as currency forwards, options and exchange-traded futures, for investment or hedging purposes. The Strategy may also invest in interest rate futures and options that are traded on an exchange or over-the-counter (“OTC”) for investment or hedging purposes.

Investment Guidelines and Restrictions

Derivatives – Financial derivatives may be used to manage risk, provide diversification and enhance returns. The Strategy may engage in exchange-traded or over-the-counter (“OTC”) interest rate and currency futures and options as well as forward currency contracts. The Strategy employs a variety of derivative strategies with respect to specific portfolio holdings, the entire portfolio or to both. In implementing these strategies, the portfolio may enter into more than a single derivative transaction. With respect to managing foreign currency exposures, such strategies include “cross-hedging” and “proxy hedging.”

Leverage - When engaging in derivative transactions, the Strategy does not “borrow” or take on debt for the purpose of creating leverage. However, derivatives may provide the economic equivalent of leverage because they display heightened price sensitivity to market fluctuations.
Unless otherwise indicated, the limits and restrictions listed below are determined at time of purchase:

Average Credit Quality – The Strategy’s minimum average credit quality will be investment grade (BBB-/Baa3). The Strategy may invest in individual securities that are rated below investment grade or unrated. An individual security’s rating will be determined using the middle rating of Moody’s, S&P and Fitch. If only two of the three agencies rate the security, the lower rating is used. If an issue is not rated by one of these rating agencies, then the portfolio manager will determine a rating.

Duration/Interest Rate Exposure – The Strategy intends to maintain an effective duration of four years, which can fluctuate within a range of plus or minus two years.

Foreign Currency Exposure – The Strategy's net foreign currency exposure will be calculated as the sum of all non-U.S. dollar exposure achieved through the Strategy's debt securities and other fixed income and related instruments, currency forward contracts and currency futures.

> The Strategy's net foreign currency exposure will not be greater than the aggregate non-U.S. dollar currency exposures of the Strategy's debt securities and other fixed income and related instruments nor will it be lower than 0% (i.e., a net short exposure to non-U.S. dollar currencies).
>
> In managing the risks of the overall Strategy, the portfolio management team will have discretion to invest in currency options.

Issuer Exposure – The Strategy's maximum exposure to any one issuer, as determined by the portfolio manager, is 5% of total assets. The U.S. Government or its Agencies, the central governments of foreign countries in which the Strategy may invest, and fixed income securities issued by supranationals backed or jointly owned by more than one national government, are not subject to this individual issuer limitation.

Foreign Government Exposure – No more than 25% of the Strategy's total assets will be invested in government securities of any one foreign country.

Emerging Markets Exposure – The Strategy's maximum exposure to securities issued in emerging markets, as determined by the portfolio manager, including those denominated in developed and local currencies, will be 40% of total assets.

> Individual emerging markets country exposure, as determined by the portfolio manager, will be limited to 10% of total assets.

High Yield Corporate Exposure – The Strategy's maximum exposure to securities issued by corporations rated below investment grade, including bank loans, convertibles and preferred stocks, is 50% of total assets.

Corporate Industry Exposure – The Strategy's maximum exposure to any one industry, as defined by the Bloomberg Level 2 sector classification, is 25% of total assets.

Mortgage-Backed and Asset-Backed Securities – The Strategy's maximum exposure to residential mortgage-backed, commercial mortgage-backed and asset-backed securities combined is 40% of total assets.

Preferred Stocks – No more than 10% of the Strategy's total assets will be invested in preferred stocks.

Common Stocks – The Strategy will not acquire any equity securities, except for permitted investments in preferred stock. The Strategy will not invest in common stocks except those acquired as a result of holding debt securities and/or other corporate action events. The Portfolio's maximum exposure to common stocks is 10% of total assets.

Private Placements – Private placement debt, excluding Rule 144A (with and without registration rights) securities and Registration S securities, may not exceed 10% percent of the Strategy's total assets.

Cash – Under normal market conditions, the Strategy seeks to be fully invested and the Strategy's cash balance, excluding short-term, cash equivalents backing futures, swaps or forwards, will be less than 10% of its total assets. In abnormal market conditions, the Strategy may temporarily invest extensively in short-term, cash-equivalent securities.

Investment Objective

1. To exceed the annualized rate of return of the Barclays Global Aggregate Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of core-plus fixed income managers.

INVESTMENT GUIDELINES FOR
WELLINGTON MANAGEMENT COMPANY LLP
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted May 25, 2004
Revised June 23, 2005
Revised April 26, 2006
Revised January 24, 2013

Guidelines

Notwithstanding anything in the next three paragraphs, or anything else in these Guidelines, to the contrary, the Advisor will at all times comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1. The Client will notify Wellington Management in the event amendments to these Guidelines are needed to conform to any changes in such provisions of law, the regulatory policies or any organizational documents applicable to the Client.

Any benchmark(s) or objective(s) specified herein are intended as targets only, and there is no assurance or guarantee that they will be met or that any particular investment result or return will be achieved.

Unless otherwise noted, all portfolio limitations and attributes are measured at the time of acquisition of each investment. If events outside of Wellington Management's reasonable control, including market movements, cash flows, or rating or index changes, cause the portfolio to be out of compliance with a limitation or attribute, Wellington Management will not be deemed to have breached these Guidelines, and may continue to hold the security but shall notify the Client of material non-compliance within a reasonable time.

Non-compliance with an investment guideline, limitation or portfolio attribute caused by Wellington Management's reasonable reliance on market data will not be deemed a breach of these Guidelines. Wellington Management shall notify the Client of any material non-compliance caused by reliance on market data, and the Client and Wellington Management shall determine the next appropriate steps.

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Government bonds
- U.S. corporate bonds
- Mortgage-backed securities
- Asset-backed securities
- Bonds and preferred stock convertible into common stock
- Preferred stock
- Municipal bonds
- Structured notes
- Cash equivalents
- Closed end bond funds
- Contingent Convertible Bonds ("CoCos")
- Derivative mortgage-backed securities
- Bonds of developed non-U.S. issuers
- Bonds of emerging non-U.S. issuers
- Fixed income and currency futures, options, forward contracts and swaps
- Private placement bonds
- Rule 144(a) securities
- Commercial mortgage-backed securities
- Capital notes/Preferred trust certificates
- Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed below on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Security Type Qualifications

1. The Portfolio may buy and sell exchange-traded and over-the-counter interest rate, credit, index and currency futures; currency, interest rate, total rate of return, and credit default swaps; currency, bond, and swap options; currency and bonds for forward settlement and other derivative instruments for risk management purposes and in pursuit of the Portfolio's investment objectives.
2. Derivatives Instruments are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities.
3. Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.
4. Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality

1. The total fixed income portfolio will maintain a minimum average credit quality rating of BB. For the purpose of determining credit ratings, if a security is rated by Moody's, S&P, and Fitch, the credit rating assigned will be the middle of the three ratings, without regard to the highest and lowest ratings. If a security is rated by any two of Moody's, S&P, or Fitch, the credit rating assigned will be the lower of the two ratings. If only one rating agency rates a security, that rating will be used. If an issue is unrated, then an equivalent credit rating, as determined by Wellington Management in good faith, may be used. In the case an internal equivalent rating is used, Wellington Management will notify the Client within a reasonable time.
2. Bonds rated investment grade by Fitch, Moody's, or Standard & Poor's must comprise at least 80% of the total portfolio.
3. The portfolio's below-investment grade holdings are limited to a maximum of 1% in any single issuer.

Duration

The average duration of the Portfolio ranges between +/- 25% of the average duration of the Index.

Non-U.S. Exposure

1. Up to 20% of the Portfolio's market value may be invested in issues denominated in currencies other than US dollars.
2. Non-US dollar currency exposure is at times entirely unhedged, partially hedged, or fully hedged, depending upon the investment outlook. Currency forwards, options, and futures are also employed to adjust and hedge the Portfolio's currency exposure. Within the limit of the 20% non-US dollar-denominated exposure the Portfolio may take currency positions unrelated to underlying portfolio holdings.

Emerging Markets

1. Obligations of issuers domiciled in Emerging Markets will be limited to 10% of the market value. Emerging Markets are defined as countries whose long-term foreign-currency sovereign debt rating is Ba1 and BB+ or below.
2. Not more than 1% of the portfolio will be held in bonds issued by any single entity domiciled in a country defined as Emerging Markets.

Additional Sector and Position Limits

1. To the extent that the portfolio holds an allocation to non-US dollar denominated non-investment grade emerging market bonds, that exposure shall also count against the total portfolio's 20% high yield maximum and 20% non-U.S. maximum.
2. In total, the exposure to non- US dollar denominated investment grade, high yield domiciled in developed countries, and emerging market debt securities will not exceed 30%.
3. 144(a) securities shall not exceed 20% of the total portfolio.
4. Preferred stock and bonds convertible into common stock shall not exceed 5% of the total portfolio.
5. Excluding U.S. government and agency issues the portfolio is limited to a 5% allocation in any single investment grade U.S. issuer.

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.
2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

INVESTMENT GUIDELINES FOR
WELLS CAPITAL MANAGEMENT (MONTGOMERY)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted May 25, 2004
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Treasury and Agency bonds
- U.S. corporate bonds
- U.S. Government Agency pass-through securities (MBS) and TBAs
- Sequential and Planned Amortization Class collateralized mortgage obligations (CMOs)
- Commercial mortgage-backed securities (CMBS)
- A1P1 or A2P2 commercial paper
- Asset-backed securities
- Municipal bonds
- Cash equivalents
- Futures, options and forward contracts
- Rule 144(a) securities
- Commingled funds investing in fixed income securities (that do not violate portfolio guidelines)
- Dollar denominated

Risk Control

1. The use of short sales, margin purchases or leverage is prohibited.

2. Investments in mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues is prohibited. Examples of securities likely to qualify as “highly interest rate sensitive” include IOs, POs and inverse floaters.
   Securities convertible into common stock or other equity ownership are prohibited.

3. Private placement (excepting Rule 144(a) securities are prohibited.

Benchmark

The benchmark is the Barclays Brothers Aggregate Index (the “Index”).

Duration

Maintain an effective duration of plus or minus 10% of the benchmark.

Diversification

1. The Total Account will maintain a minimum average credit quality rating of A.

2. A maximum of 25% of the portfolio may be invested in BBB-rated securities.

3. At time of purchase, no issuer, except for U.S. Government and Agency issues, may be greater than the higher of (a) 3% above its weighting in the Index or (b) 3% of the Account's market value for securities outside of the Index.

4. Maximum of 5% of the portfolio value per issuer unless the issuer is the U.S. government or its Agencies, in which case there is no limit.

5. 144(a) securities shall not exceed 15% of the total portfolio.

6. With the exception of #7 below, at the time of purchase, all securities must have a minimum credit quality of BBB- (or comparable). If a security is downgraded below investment grade ("fallen angel"), the manager must communicate the downgrade and the expectation for sale or recovery in writing to the client and its consultant. The manager is not forced to sell upon a downgrade.

7. Up to 5% of the portfolio can be invested in securities rated below investment grade

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.

2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the core fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

2. The fixed income portfolio should be broadly diversified across markets, sectors, securities and maturities in a manner consistent with accepted standards of prudence.

Section 9

PRIVATE EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
ADAMS STREET PARTNERS U.S. PARTNERSHIP FUND
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

The Fund is invested in the Adams Street Partners U.S. Partnership Fund.

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The Fund will make commitments to private equity partnerships that will in turn typically invest these assets over a three- to four vintage year period.

3. No more than 10% of a participant’s subscription to the Fund will be allocated to any one partnership investment.

4. Up to 40% of each participant’s subscription to the Fund may be used to purchase interests in secondary private equity partnerships.

5. Typically 15-20 U.S. private equity partnership investments will be made during each year of the Fund’s investment period.

6. The Fund will target the following allocations for partnership assets: venture capital (25-50%), buyouts (30-50%), and ‘other’ (including mezzanine/subordinated debt, restructuring/distressed debt and special situations partnerships) (10-25%).

7. Beginning in year eight, fees will be reduced to 90% of the regular fee, then 80% of the regular fee in year nine, 70% in year ten, etc.

Performance Benchmark -- The manager’s performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
AIM (INVESCO) PRIVATE CAPITAL
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

20% of the total commitment from Chicago Police will be allocated to INVESCO U.S. Venture Partnership Fund IV, L.P., 60% to INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, L.P., and the remaining 20% to INVESCO International Partnership Fund IV, L.P.

<u>INVESCO U.S. Venture Partnership Fund IV, L.P.</u>

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The venture sector fund is expected to include both early stage and later stage partnerships.

3. The manager expects to invest a significant proportion of the capital in software, specialized semiconductors and communications enabling technologies, with a smaller amount flowing into medical and healthcare projects.

4. A typical holding is currently expected to average 5% of the sector fund's total commitments with no single partnership holding comprising more than 20% of the venture sector fund's portfolio.

5. The targets and expectations may vary depending on market conditions.

<u>INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, L.P.</u>

1. The buyout sector fund targets small and mid-sized U.S. buyout (50%), large U.S. buyout (30%), and U.S. expansion, distressed, turnaround and special situation groups (20%).

2. No single partnership holding would comprise more than 20% of the sector fund's commitments at the time of investment and the average commitment is currently expected to be 5% of the sector fund.

3. The targets and expectations may vary depending on market conditions.

<u>INVESCO International Partnership Fund IV, L.P.</u>

1. The international fund targets non-U.S. venture (20%) and non-U.S. buyout / corporate finance (80%). In addition, the manager is targeting 80% of the sector fund to groups focused on Europe and the remaining 20% to groups investing in Asia and Latin America.

2. No single partnership holding would comprise more than 20% of the sector fund and the average holding is expected to be 5% of the sector fund's portfolio.

3. The targets and expectations may vary depending on market conditions.

Performance Benchmark -- The manager's performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
MESIROW FINANCIAL PRIVATE EQUITY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

The Fund is invested in the Mesirow Financial Private Equity Partnership Fund (Fund-of-Funds).

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The Fund will make commitments to private equity partnerships over a three- to four vintage year period.

3. The Fund will allocate assets to venture capital (30-50%), corporate finance/buyout (30-50%), special situations – including mezzanine, industry-focused strategies, distressed and other (5-20%), and will also allocate a portion of the portfolio internationally (10-15%). In addition, limited, opportunistic purchases of secondary partnership interests will be permitted.

4. The Fund will be comprised of between 35-45 underlying managers.

5. The Fund will have an initial investment term of 12 years with three one-year extensions.

6. Beginning in year eight, fees will be reduced on an annual basis to 90% of the previous year’s fee.

Performance Benchmark -- The manager’s performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
MULLER & MONROE ASSET MANAGEMENT, LLC (“M^2” or “The Advisor”)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO (“PABF”)
Adopted June 23, 2005
Modified: January 24, 2011
PABF is invested in the following partnerships: Illinois Private Equity Fund-of-Funds, L.P. (“ILPEFF”), M^2 Private Equity Fund-of-Funds, L.P. (“MPEFF”)

COMMON PROVISIONS FOR ALL PRODUCTS:

1. The Advisor will comply with all the applicable provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

1. ILPEFF and MPEFF are focused exclusively on emerging managers following the guideline definition of emerging manager to include managers with less than $1.0 billion total assets under management. (contractual provision)

2. Portfolio construction will be driven by deal flow in the market during the investment period and M^2's internal due diligence process.

ILPEFF PROVISIONS:

1. ILPEFF made 14 commitments to Investee Funds.

2. ILPEFF targeted approximately 30% of assets towards earlier stage strategies (i.e. venture capital); the general partner is biased against very early stage venture partnerships.

3. Approximately 70% of assets are focused toward later stage strategies, including buyouts, special situations/distressed, and mezzanine. Approximately less than 11% of assets are mezzanine

4. 51% of assets were committed to minority or women managers. (contractual provision)

5. 49% of assets were committed to Midwest-based and Mid-west-focused managers (contractual provision).

MPEFF PROVISIONS:

1. MPEFF will make approximately 9 commitments to Investee Funds.

2. MPEFF will target approximately 1/3rd of assets towards earlier stage strategies (i.e. venture capital); the general partner is biased against very early stage venture partnerships.

3. Approximately 2/3 of assets will be focused toward later stage strategies, including buyouts, special situations/distressed, and mezzanine. Approximately less than 10% of assets will be mezzanine; approximately only 1 distressed manager 5-10% of assets if any; most of the investments in MPEFF will be middle market buyouts.

4. Some assets will be committed to minority or women managers but there is no contractual target.

5. Some assets will be committed to Midwest-based and Midwest-focused managers but there is no contractual target.

Performance Benchmark -- The underlying investee funds in the fund-of-funds portfolios will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

INVESTMENT GUIDELINES FOR
RCP ADVISORS, LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in RCP Fund VI, L.P. (Fund-of-Funds).

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to private equity partnerships over a three vintage year period.
- The Fund will allocate assets to buyout funds, with a specific focus on small- to middle-market managers. The Fund will also allocate a portion of the portfolio internationally (up to 30%). In addition, limited, opportunistic purchases of the equity securities of certain individual, privately-held companies will be permitted (5%).
- The Fund will allocate no more than 20% of the committed capital to one or more underlying funds which are managed by the same team or affiliates.
- The Fund will be comprised of between 12-15 underlying funds.
- The Fund will have an initial investment term of 12 years with three one-year extensions.
- The management fee will be 1.00% of committed capital. After year five, the management fee will decrease to 0.75% of committed capital. No management fee will be charged after year ten.

Performance Benchmark -- The manager’s performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Venture Economics, Inc.

INVESTMENT GUIDELINES FOR
INVESCO VENTURE ALPHA FUND, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted August 1, 2017

The Fund is invested in Invesco Venture Alpha Fund, L.P. (Fund-of-Funds)

1. The Partnership will target funds focused on seed and early-stage investing, but may also pursue certain funds targeting later-stage investments.

2. The Partnership will make investments over a five year investment period.

3. The Partnership will target at least 80% of its investments in portfolio funds that invest primarily in U.S.-based venture capital investments and direct company investments into venture-backed companies. The Partnership may also seek to purchase investments in secondary transactions. Without the approval of the LPAC or a majority in interest of the LPs, the Partnership will not (i) invest more than 20% of aggregate Commitments in the securities of any one portfolio fund or any one portfolio company or (ii) invest more than 30% of aggregate Commitments directly in portfolio companies.

4. A typical commitment is not expected to exceed 5% to 10% of aggregate Commitments.

5. Subject to earlier termination, the Partnership's term will be 12 years, which may be extended automatically for consecutive one-year periods if the Partnership continues to hold interests in any portfolio fund or portfolio company. Thereafter, the term may be extended for additional one-year periods by the GP with the consent of a majority in interest of the LPs or the LPAC.

6. The management fee rate is (i) 50 basis points per annum for the first year, (ii) 75 basis points per annum for the second year, (iii) 100 basis points per annum for each of the next three years and (iv) during each year thereafter until final distribution, 90% of the prior year's management fee rate, but not below 40 basis points per annum. CPABF receives a 20% discount on each of (i)-(iv) above.

Section 10

PRIVATE CREDIT STRATEGIES

INVESTMENT GUIDELINES FOR
BEACH POINT SELECT FUND LP. (BEACH POINT)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all the applicable provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager shall use best efforts to comply with all applicable laws of the State of Illinois and the U.S., and any applicable governmental or regulatory authority outside of the U.S.

  The investment manager acknowledges and agrees it shall be a fiduciary with respect to the Fund for so long as the Fund is an investor.

- Investment Objective and Strategy: The investment fund's objective is to achieve attractive long-term returns with less-than-commensurate risk through a flexible, multi-strategy investment approach. The investment manager anticipates investing in a portfolio primarily consisting of high - yield securities and other credit-related opportunities, distressed and special situation investments, undervalued and event-driven equities and a variety of other securities and instruments and may take both long and short positions. This investment fund is expected to hold fewer and more concentrated positions than other investment funds and accounts managed by the investment manager.

  The investment manager may utilize leverage to enhance returns. The investment fund may also invest in cash and money market debt securities for defensive purposes from time to time.

- Investment Limitations Include: The Investment Management Agreement and the Partnership Agreement generally impose no limits on the types of securities or other instruments in which the investment fund may take positions, the choice of sectors or markets (U.S. or non-U.S.) within which it may invest, the type of positions it may take, the investment or trading strategies it may use, its ability to borrow or use other types of leverage or the concentration of its investments.

- Other Fees: The investment manager shall be reimbursed for various expenses as set forth in the Partnership Agreement including any fees, commissions, expenses or charges related to (i) custodial registrar or transfer agency services provided for the investments of the investment fund, (ii) transactions effected for the investments of the investment fund, (iii) any other service provided for the investments of the investment fund by any other party other than the investment manager and (iv) legal costs and other matters for which the investment fund's governing document permit the investment manager to be reimbursed.

INVESTMENT GUIDELINES FOR
BLUEPRINT CAP I, L. P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

- Compliance with Laws: The Investment Adviser acknowledged that it is a fiduciary as is required under the Illinois Pension Code, specifically 40 ILCS 5/1-113.14(c)(1). The Investment Adviser represented and warranted that it shall at all times act in accordance with the Illinois Pension Code (40 ILCS 5), including but not limited to the applicable provision set forth in sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 thereof.

- Investment Objective and Strategy: The investment fund will serve as a platform to facilitate investments through the purchase of interests in a series, generally in one or more dedicated managed account investment portfolios or “sub-funds,” each managed by a third-party portfolio manager or “sub-advisor”. The investment fund will invest in sub-funds, commingled vehicles and/or other investments. The investment objectives, strategies, fees, risks, certain relevant terms and other applicable considerations of any sub-fund will be set forth in such sub-fund’s supplement.

- Target Performance: The investment fund will target a 5% yield.

- Term: The investment fund’s term is perpetual and will continue until the date of dissolution and termination of the investment fund.

- Management Fee: The investment fund’s management fee during the investment period is 0.50% of the capital commitment and after the investment period is 0.50% of the aggregate amount of investment contributions plus any unfunded capital commitment that has been allocated to an existing investment, less the portion of such investment contributions invested in investments that have been sold (and returned to the investors) or completely written off.

INVESTMENT GUIDELINES FOR
CRESTLINE OPPORTUNTY FUND III, LLC (CRESTLINE)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The Investment Adviser shall at all times use its commercially reasonable efforts to comply with the following provisions relating to the Article 1 and 5 of the Illinois Pension Code: 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221.

  The Investment Adviser hereby acknowledges that it is a fiduciary with respect to the Fund and shall manage and advise the Fund, taking into consideration the interests of the Members as a whole (without being required to take into consideration the particular interests of any one Member), in accordance with the Operating Agreement and the Investment Management Agreement in accordance with the standard of care, the standard of liability and the conflicts provisions set forth therein.

- Investment Objective and Strategy: The Fund will seek to achieve superior risk-adjusted returns over a finite period of time utilizing a flexible and opportunistic investment mandate that will tactically invest capital in order to seek to take advantage of market dislocations and inefficiencies through investments in (1) sectors the Investment Manager believes have been abandoned by traditional banks, (2) economic and market dislocations and (3) special situations. Fund investments will generally take the form of (a) corporate solutions (debt or structured equity investments in small and medium sized businesses), (b) asset based (lending against or purchasing a single asset or a portfolio of assets with a cash flow stream attached), (c) stressed/special situations (typically a debt investment or asset purchase of an underperforming company or undervalued asset) and (d) hedges and derivatives related to the foregoing investments (each such investment, an “Investment,” and collectively with all of the Fund’s other investments, indirectly through the Master Fund, the “Investments”). The Investments will consist of both debt and equity investments and will be primarily focused in the United States and Europe.

- Target Performance: 15%also note the PPM risk factor below, which applies to this.

- Investment Limitations Include: Unless the Advisory Committee otherwise consents, after the Final Closing Date no more than 15% of the Aggregate Commitments will be invested in any single Investment at the Master Fund level; provided that there is no limitation with respect to the Master Fund’s potential Investments in other private investment funds managed by the Investment Manager or an affiliate, provided that, in such case, no performance compensation or management fees would be charged by such funds to the Master Fund (i.e., there would be only one level of performance compensation and management fees paid to the Investment Manager or an affiliate of the Investment Manager, which would be paid at the level of the Master Fund).

- Term: The Fund’s term is expect to expire four (4) years after the expiration of the Investment Period, provided that the Board may, to allow for the orderly liquidation of Investments, extend the term of the Fund for up to three (3) successive twelve (12) month periods, and thereafter the term may be extended with the consent of the Advisory Committee.

- Management Fee: During the Investment Period, the Management Fee will be 1.5% per annum of an investor's commitment. After the Investment Period, the Management Fee will be 1.0% per annum of the net asset value attributable (based on pro rata indirect capital contributions to the relevant Investments) to the investor.

- Preferred return: 8% per annum on the investors outstanding unreturned Capital Contributions.

- Carried Interest: Catch-up of 100% to the Carry Vehicle so that after the application of the catch-up tranche, the Carry Vehicle receives distributions equal to 20% of all amounts distributed under the Preferred Return

INVESTMENT GUIDELINES FOR
DORCHESTER CAPITAL SECONDARIES OFFSHORE IV, L.P. (DORCHESTER)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges that it is a fiduciary with respect to the Fund.

- Investment Objective and Strategy: The investment fund's core strategy is to achieve capital appreciation, primarily by acquiring secondary interests in-hedge funds and similar open-ended pooled investment vehicles. However, the investment fund may also invest in closed-end pooled investment vehicles and/or side car or special opportunity investments, including direct investments, related to any such pooled investment vehicles when the opportunities arise. In addition to investment fund's investments in other pooled vehicles (and related side car/special opportunity investments), the investment fund will also invest assets in a "liquid" investment sleeve comprised of debt securities, money market instruments and/or interests in one or more investment companies or funds that invest in comparable investments.

  The investment manager may protect the economic value of the investment fund's interests in Hedge Funds and other assets through currency hedging, security hedging or other hedging strategies.

- Term: The investment fund's initial term shall last from July 1, 2016 to July 1, 2021, provided that the investment manager may extend such term in its discretion for two additional one-year periods, and may thereafter extend such term for three additional one-year periods with the consent of a majority in interest of the investment fund's investors.

- Investment Limitations Include: The investment fund may not invest more than 20% of the investment fund's aggregate commitments in Hedge Funds managed or sponsored by any one fund manager, provided that the investment fund may invest more than 20% of the investment fund's aggregate commitments in a "fund of funds" arrangement (other than an arrangement where the assets of the "fund of funds" are invested in underlying funds managed by an affiliated Underlying Manager) so long as the investment fund's indirect ownership in any underlying Hedge Fund held by a fund of funds does not exceed 20% of the investment fund's aggregate commitments.

- Management Fee: (i) during the investment period, 1.0% per annum of each investor's commitment, and (ii) thereafter, 0.75% per annum of each investor's capital account balance as of the last day of the prior calendar quarter, except that after July 1, 2021, the management fee for any calendar quarter shall be 0.5% per annum of each investor's capital account balance as of the last day of the prior calendar quarter.

- Preferred Return: 5% per annum, compounded annually.

- **Carried Interest:** After a 5% annually compounded preferred return, there is a 100% catch-up by the investment manager until the investment manager receives a 20% carried interest, and thereafter there will be an 80-20 split of profits between the Fund and the investment manager, respectively. The investment manager will not be paid a carried interest until all contributions of the investor plus the 5% annually compounded preferred return have been distributed to the investor.

INVESTMENT GUIDELINES FOR
MONROE CAPITAL PRIVATE CREDIT FUND II, L.P. (MONROE)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- **CPABF Commitment**: $20,000,000

- **Total CPABF drawn down Commitment**: $6,245,291

- **Management Fee Paid**: $0

INVESTMENT GUIDELINES FOR
VOYA CREDIT OPPORTUNTIES FUND (VOYA)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

The following summary contains figures that are current as of March 31, 2017.

- Compliance with Laws: The investment manager will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager shall act in accordance with all applicable laws of the State of Illinois and the United States of America, and any applicable governmental or regulatory authority outside of the United States of America. The investment manager acknowledges and agrees that it shall be a fiduciary with respect to the Fund for so long as the assets of the investment fund constitute "plan assets" for purposes of ERISA or Section 4975 of the Code.

- Investment Objective and Strategy: The investment fund's investment objective is to seek a high level of total return through a combination of current income and capital appreciation over a market cycle. The investment fund will seek to achieve its investment objective by investing in a portfolio comprised primarily of Senior and subordinated secured floating rate loans of non-investment grade U.S. borrowers, unsecured U.S. fixed rate debt securities of non-investment grade U.S. and foreign borrowers and U.S. residential mortgage-backed securities. In order to achieve its objective, the investment fund may also invest in a broad range of other debt securities and income-producing investments, including, but not limited to: investment grade debt securities, U.S. Treasury securities or futures, commercial mortgage-backed securities, interest rate swaps and other derivatives. Derivatives may be used for duration management, risk management and to take fixed income market and credit exposures. The investment fund intends to employ financial leverage to seek to achieve its investment objectives and enhance returns.

- Investment Limitations Include:

  - The investment fund will only have exposure through over-the-counter contracts to institutions which have a minimum credit rating of A2/P2 or equivalent;
  - The investment fund may also invest up to 50% of its net asset value in any one unregulated collective investment scheme;
  - Where the investment fund intends to invest more than 50% of the investment fund's net asset value in another regulated collective investment scheme, the supplement will be amended in advance of such investment;
  - The investment fund is expected to limit borrowings to 50% of the total net asset value of the investment fund. The investment fund will limit its use of leverage from reverse repurchase agreements, loans or lines of credit from banks or other credit facilities such that these borrowings will not exceed the lesser 50% of the investment fund's Net Asset Value or 100% of the investment fund's allocation to senior loans and CMO securities.

- Management Fee Paid: $42,528

- Performance Fee Paid: 0

Section 11

TACTICAL AND ALPHA STRATEGIES

Fund of Hedge Funds

INVESTMENT GUIDELINES FOR
ENTRUSTPERMAL PABF FUND LLC (ENTRUSTPERMAL)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges it is a fiduciary with respect to the Fund and specifically agrees to perform all of its duties and obligations as a fiduciary at all times.

- Investment Objective and Strategy: The investment fund's purpose is to invest in hedge funds that focus on one or more of the following strategies: fixed income, event driven, global macro, and opportunistic.

- Target Performance: The investment fund's target return is 8% to 9%.

- Term: The investment fund will have perpetual existence until it is dissolved upon, among other things, the Fund's determination to dissolve the investment fund, which dissolution shall require 60 days' prior written notice to the investment manager.

- Investment Limitations Include:

  - The investment fund may not invest more than (i) 15% of the investment fund's net asset value ("NAV") in a single hedge fund at the time of investment and (ii) 20% of the investment fund's NAV in any such fund as of the end of any quarter.

  - The investment fund may not invest more than (i) 5% of the investment fund's NAV in a hedge fund pursuing an opportunistic strategy at the time of investment and (ii) 10% of the investment fund's NAV in any such fund as of the end of any quarter.

  - The investment fund will only invest in underlying managers who provide 100% liquidity within two years.

  - The investment manager shall allocate the investment fund's assets among 10 to 15 hedge funds (excluding any hedge funds for which full redemptions have been placed).

  - The investment fund shall not invest in any hedge funds:

    - Where the investment manager receives a management or performance fee from such hedge fund in respect of the investment fund's investment, unless such fee is waived or rebated;

    - Where the hedge fund's primary strategy is private equity investments, provided this restriction shall not apply to hedge funds pursuing opportunistic strategies; and

    - Where the hedge fund's primary strategy is to invest in unaffiliated third-party hedge funds.

- Management Fee: 0.75% per annum of the investment fund's NAV.

INVESTMENT GUIDELINES FOR
PLUSCIOS FUND LLC (PLUSCIOS)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges it is a fiduciary with respect to the Fund and agrees to perform all of its duties and obligations as a fiduciary at all times.

- Investment Objective and Strategy: The investment fund's objective is to provide investors with a resilient, high performing portfolio of hedge funds that will deliver attractive absolute returns, preserve capital, experience lower volatility and create correlation benefits when combined with or compared to a portfolio of general equity and debt investments. The investment fund invests in a "master fund" (the "Master Fund"), which Master Fund is a multi-strategy fund that allocates a substantial majority of its assets to one or more sub-managers that pursue various alternative investment strategies. The Master Fund ordinarily allocates its assets to the sub-managers by investing in pooled investment vehicles managed by the sub-managers. However, the Master Fund may also allocate its assets to one or more sub-managers by opening managed accounts managed by such sub-managers.

  The Fund has invested in the investment fund's Class I Interests. Such interests invest in the investment fund's multi-strategy portfolio, which portfolio invests in one or more of the segregated portfolios of the Master Fund as determined by the investment manager.

- Term: The investment fund will have perpetual existence until it is dissolved upon, among other things, the investment manager's determination to dissolve the investment fund.

- Investment Limitations Include: The Master Fund will not invest more than 10% of its assets, measured at the time of investment, in direct investments.

- Management Fee: 0.071% per month of the net asset value ("NAV") of the Class I Interests (approximately 0.75% per annum of such NAV).

- Incentive Allocation: As of the end of each calendar year and as of any date on which the Fund receives a withdrawal or distribution from its capital account (a "Calculation Date"), the investment manager shall receive an amount (the "Incentive Allocation") equal to 15% of any positive difference between (i) the NAV of the Fund's capital account as of such Calculation Date and (ii) the greater of (a) the NAV of the Fund's capital account immediately after the most recently assessed Incentive Allocation (the "High Water Mark") or (b) the sum of (1) the NAV of the Fund's capital account as of the first day after the most recent Calculation Date the ("Adjusted NAV") and (2) the product of (I) the Adjusted NAV of the Fund's capital account for such period, (II) a rate agreed to from time to time by the investment manager and each investor holding a Class I Interest, and (III) a fraction equal to the number of months from and including the beginning of the year in which such Calculation Date occurs to and including such Calculation Date in the year divided by 12.

A similar allocation will be made to the investment manager in the event of a withdrawal or distribution from the Fund's capital account before the end of a calendar year, in an amount equal to the product of (i) the amount described above and (ii) a fraction, the numerator of which is the amount of such withdrawal and the denominator of which is the balance of the Fund's capital account immediately before such withdrawal. In such case, the High Water Mark for the Fund's capital account will be appropriately adjusted downward to reflect such withdrawal.

INVESTMENT GUIDELINES FOR
GMO Global Asset Allocation Fund
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted July 17th, 2012

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1b

Investment objective

Total return greater than that of its benchmark, the GMO Global Asset Allocation Index.*

**The GMO Global Asset Allocation Index is an internally maintained index computed by the Manager, consisting of 65% MSCI ACWI (All Country World Index) Index and 35% Barclays Capital U.S. Aggregate Index.*

Performance Objective and Benchmark

For performance measurement purposes, the Board will be utilizing the following benchmark:

65% MSCI ACWI (All Country World Index) Index and 35% Barclays Capital U.S. Aggregate Index

Principal investment strategies

The Fund is a fund of funds and invests primarily in shares of other GMO Funds, which may include the International Equity Funds, the U.S. Equity Funds, the Fixed Income Funds, Alpha Only Fund, Alternative Asset Opportunity Fund, Debt Opportunities Fund, High Quality Short-Duration Bond Fund, Special Situations Fund, World Opportunity Overlay Fund and U.S. Flexible Equities Fund (collectively, the “underlying Funds”). In addition, the Fund may hold securities (particularly asset-backed securities) directly or through one or more subsidiaries or other entities. The Fund may be exposed to non-U.S. and U.S. equity investments (which may include emerging country equities, both growth and value style equities and equities of any market capitalization), U.S. and non U.S. fixed income securities (including asset-backed securities and other fixed income securities of any credit quality and having any maturity or duration), the investment returns of commodities and, from time to time, other alternative asset classes. The Manager uses multi-year forecasts of relative value and risk among asset classes (e.g., non U.S. equity, U.S. equity, emerging country equity, emerging country debt, U.S. fixed income, non U.S. fixed income and commodities) to select the underlying Funds in which the Fund invests and to decide how much to invest in each. An important component of those forecasts is the expectation that valuation reversion ultimately drives market returns. The Manager changes the Fund’s holdings of underlying Funds in response to changes in its investment outlook and market valuations and may use redemption/purchase activity to rebalance the Fund’s investments. Under normal circumstances, the Manager intends to invest not more than 85% of the Fund’s assets in the U.S. Equity Funds and International Equity Funds. For cash management purposes, the Fund may invest in U.S. Treasury Fund and unaffiliated money market funds.

Principal risks of investing in the Fund

The value of the Fund’s shares changes with the value of the Fund’s investments. Many factors can affect this value, and you may lose money by investing in the Fund. References to investments include those held directly by the Fund and indirectly through the Fund’s investments in the underlying Funds. Some of the underlying Funds are non-diversified investment companies under the Investment Company Act of 1940, as 132 amended, and therefore a decline in the market value of a particular security held by those Funds may affect their performance more than if they were diversified. The principal risks of investing in the Fund are summarized below. For a more complete discussion of these risks including those risks to which the Fund is exposed as a result of its investment in the underlying Funds, see “Description of Principal Risks” in the GMO Trust Prospectus.

- *Market Risk – Equity Securities* – The market value of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. If an underlying Fund purchases equity investments at a discount from their value as determined by the Manager, the Fund runs the risk that the market prices of these investments will not appreciate to or decline from that value for a variety of reasons, one of which may be the Manager’s overestimation of the value of those investments. An underlying Fund also may purchase equity investments that typically trade at higher multiples of current earnings than other securities, and the market values of these investments often are more sensitive to changes in future earnings expectations than those other securities. Declines in stock market prices generally are likely to reduce the net asset value of the Fund’s shares.

- *Non U.S. Investment Risk* – The market prices of many non U.S. securities fluctuate more than those of U.S. securities. Many non U.S. markets are less stable, smaller, less liquid and less regulated than U.S. markets, and the cost of trading in those markets often is higher than in U.S. markets. Non U.S. portfolio transactions generally involve higher commission rates, transfer taxes and custodial costs than similar transactions in the U.S. In addition, the Fund may be subject to non U.S. taxes including potentially on a retroactive basis on (i) capital gains it realizes or dividends or interest it receives on non-U.S. securities, (ii) transactions in those securities and (iii) the repatriation of proceeds generated from the sale of those securities.

  Also, many non U.S. markets require a license for the Fund to invest directly in those markets, and the Fund is subject to the risk that it could not invest if its license were terminated or suspended. In some non U.S. markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) expose the Fund to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers. Further, adverse changes in investment regulations, capital requirements or exchange controls could adversely affect the value of the Fund’s investments. These and other risks (e.g., nationalization, expropriation or other confiscation of assets of non U.S. issuers) tend to be greater for investments in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

- *Market Risk – Fixed Income Securities* – The market price of a fixed income investment can decline due to a number of market-related factors including periods of rising (or in some limited cases, declining) interest rates and widening of credit spreads, or decreased liquidity that reflects the market’s uncertainty about the value of a fixed income investment (or class of fixed income investments).

- *Market Risk – Asset-Backed Securities* – Asset-backed securities are subject to severe credit downgrades, illiquidity, defaults and declines in market value. The market price of fixed income investments with complex structures, such as asset-backed securities, can decline due to a number of factors, including market uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow generated by the assets backing the securities, the deal structure, the credit worthiness of any credit-support provider, and the reliability of various other service providers with access to the payment stream) and a problem in any one of these areas can lead to a decrease in the payment stream expected by the Fund at the time it purchased the asset-backed security.

- *Liquidity Risk* – Low trading volume, lack of a market maker, large size of position or legal restrictions may limit or prevent the Fund or an underlying Fund from selling particular securities or unwinding derivative positions at desirable prices.

- *Derivatives Risk* – The use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates or indices. Derivatives also present other Fund risks, including market risk, liquidity risk, currency risk and counterparty risk.

- *Fund of Funds Risk* – The Fund is indirectly exposed to all of the risks of an investment in the underlying Funds, including the risk that the underlying Funds in which it invests do not perform as expected. Because the Fund bears the fees and expenses of the underlying Funds in which it invests, a reallocation of the Fund's investments to underlying Funds with higher fees or expenses will increase the Fund's total expenses. The fees and expenses associated with an investment in the Fund are less predictable than those associated with an investment in funds that charge a fixed management fee.

- *Management and Operational Risk* –The Fund runs the risk that the Manager's investment techniques will fail to produce the desired results. The Fund's portfolio managers may use quantitative analyses and models and any imperfections or limitations in such analyses and models could affect the ability of the portfolio managers to implement strategies. By necessity, these analyses and models make simplifying assumptions that limit their efficacy. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and/or it may not include the most recent information about a company or a security. The Fund also runs the risk that the Manager's fundamental assessment of an investment may be wrong or that deficiencies in the Manager's or another service provider's internal systems or controls will cause losses for the Fund or impair Fund operations.

- *Smaller Company Risk* – Smaller companies may have limited product lines, markets or financial resources, may lack the competitive strength of larger companies, or may lack managers with experience or depend on a few key employees. The securities of small- and midcap companies often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations.

- *Commodities Risk* – Commodities prices can be extremely volatile and exposure to commodities can cause the price of the Fund's shares to decline and fluctuate more than the value of shares of a fund with a broader range of investments.

- *Currency Risk* – Fluctuations in exchange rates can adversely affect the market value of non U.S. currency holdings and investments denominated in non U.S. currencies, or that the U.S. dollar will decline in value relative to that currency.

- *Leveraging Risk* – The use of reverse repurchase agreements and other derivatives and securities lending creates leverage. Leverage increases the magnitude of the Fund's losses when the value of its investments (including derivates) declines.

- *Credit Risk* – The Fund runs the risk that the issuer or guarantor of a fixed income security will be unable or unwilling to satisfy its obligation to pay principal or interest payments or to otherwise honor its obligations in a timely manner. The market price of a fixed income investment will normally decline as a result of the issuer's failure to meet its payment obligations. Below investment grade securities have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the capacity of issuers to make principal and interest payments than is the case with issuers of investment grade securities.

- *Counterparty Risk* – The Fund runs the risk that the counterparty to an over-the-counter (OTC) derivatives contract or a borrower of the Fund's securities will be unable or unwilling to make timely settlement payments or otherwise honor its obligations.

- *Real Estate Risk* – To the extent an underlying Fund concentrates its assets in real estate-related investments, the value of its portfolio is subject to factors affecting the real estate industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

- *Short Sales Risk* – The Fund runs the risk that an underlying Fund's loss on a short sale of securities that the underlying Fund does not own is unlimited.

- *Focused Investment Risk* – Focusing investments in countries, regions, sectors or companies or in industries with high positive correlations to one another creates more risk than if the Fund's investments were less correlated.

- *Market Disruption and Geopolitical Risk* – Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events as well as other changes in non U.S. and U.S. economic and political conditions could adversely affect the value of the Fund's investments.

- *Large Shareholder Risk* – To the extent that a large number of shares of the Fund is held by a single shareholder (e.g., an institutional investor), the Fund is subject to the risk that a redemption by that shareholder of all or a large portion of its Fund shares will disrupt the Fund's operations.

INVESTMENT GUIDELINES FOR
PIMCO All Asset Collective Trust (SEI Trust Company)
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted September 2012

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

Investment Objective

The objective of the PIMCO All Asset Collective Trust (the "Fund") is to seek maximum real return, investing under normal circumstances substantially all of its assets in Institutional Class shares of the PIMCO All Asset Fund (the "Underlying Fund"), consistent with preservation of real capital and prudent investment management. The Fund's return objective is to outperform the Barclays Capital U.S. 1-10 Year Index and achieve a return equal to the annual change in the Consumer Price Index plus 5% annualized ("CPI+5%"), as measured over a full business cycle. There is no assurance that these objectives will be achieved.

Performance Objective and Benchmark

For performance measurement purposes, the Board will be utilizing the following benchmark:

30% Barclays US TIPS 1-10 YR
10% S&P 500
40% Barclays Aggregate
10% Barclays High Yield
10% JP Morgan EMBI+TR

SEI's stated benchmarks for the Fund are the Barclays Capital U.S. TIPS 1-10 Year Index and CPI+5% (the "Benchmarks").

Investment Process

The Fund seeks to meet its performance objective relative to its Benchmarks by investing in the Underlying Fund, which is actively managed with respect to the same underlying benchmarks. In managing the Underlying Fund, PIMCO employs a tactical asset allocation specialist as a sub-advisor to complement PIMCO's "top-down" and "bottom-up strategies". The asset allocation decisions with the Underlying Fund are managed by Research Affiliates LLC, which is a leading asset allocation research and advisory firm. Research Affiliates was founded in 2002 by Robert Arnott. The asset allocation decisions are implemented by varying the mix of actively managed strategy specific PIMCO mutual funds. Each of these mutual funds seeks to outperform their respective benchmarks by incorporating strategies that are driven by PIMCO's top-down and bottom-up investment process.

The top-down investment process starts with an annual secular forum at which PIMCO investment professionals develop a three-to-five year outlook for the global economy and interest rates. This secular or long-term outlook is combined with a cyclical or short-term outlook to determine the basic macroeconomic and relative value portfolio parameters, including duration, yield-curve positioning (allocation across various maturities), sector weightings and credit quality.

Bottom-up strategies drive PIMCO's security selection process and facilitate the implementation of top-down strategies, as well as the identification and analysis of undervalued securities and sector-specific trade ideas. Here, PIMCO employs advanced proprietary analytics and expertise in all major fixed income sectors and geographic regions.

Permitted Investments

- PIMCO All Asset Fund: The Fund may invest solely in Institutional Class units of the PIMCO All Asset Fund, an investment company registered under the Investment Company Act of 1940.

- Cash Equivalents: Investment grade securities with a duration less than or equal to 1 year. These assets include, but are not limited to, the following: Treasury bills, U.S. government and agency securities, commercial paper (including 4(2) CP programs), time deposits, bankers acceptances, certificates of deposits, repurchase agreements, bank STIF accounts and U.S. money market Funds, subject to the restrictions set forth in the Investment Guidelines. The above-mentioned security types may be either U.S. or Eurodollar issues.

In the event that PIMCO wishes to make changes to or additions to or deletions from the Permitted Investments set forth in the Investment Guidelines, PIMCO shall submit to SEI a written list of such changes or securities/transaction types that PIMCO proposes to designate as Permitted Investments, and the securities/transaction types included on such list shall, except to the extent rejected by the Trustee within seven (7) business days or such shorter period that is agreed to from time to time, of its receipt of such revised list, automatically become Permitted Investments. Notwithstanding the foregoing, the Trustee may, at any time, but with reasonable prior notice, prohibit PIMCO from purchasing, or maintaining an investment in, any security, regardless of whether it is a Permitted Investment.

Prohibited Investments

Except with the prior written approval of SEI, PIMCO will not:

- Invest assets of the Fund directly in any securities or investments other than Permitted Investments, subject to the Liquidity provision described below.

- The Fund's investment limitations apply at the time of acquisition of an investment. If a percentage limitation is adhered to at the time of investment, a later increase or decrease in percentage resulting from market fluctuations or other changes in the Fund's total assets will not result in a violation of the limitation and will not require PIMCO to dispose of such investment.

The Fund will not invest in securities issued by the Trustee or its affiliates or securities issued by PIMCO or its affiliates, except as disclosed to investors and in accordance with applicable law.

Diversification, Liquidity and Risk Control

Assets of the Fund should remain fully invested in Institutional Class units of the PIMCO All Asset Fund except for Cash and Cash Equivalents as required to adequately manage contributions, transaction settlements, withdrawals and adverse market conditions.

Section 12

INFRASTRUCTURE

INVESTMENT GUIDELINES FOR
CARLYLE INFRASTRUCTURE PARTNERS, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in Carlyle Infrastructure Partners, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to infrastructure assets in the U.S. and Canada over a five year period from final close, with two possible one-year extensions.
- The Fund will focus on investments relating to transportation – toll roads, rail, ports and airports – or water, which encompasses water purification and distribution and wastewater treatment. It may also invest in “convenience” or “necessity” assets such as hospitals, schools or prisons. Unlike other infrastructure funds, CIP will not invest in energy assets such as power distribution lines.
- The Fund will allocate no more than 20% of the fund in a single investment.
- The Fund will allocate no more than 30% in assets located outside the U.S. and Canada.
- The Fund will have a term of 12 years with two one-year extensions.
- The management fee will be 1.5% of committed capital during the commitment period and 1.0% thereafter as well as a 20% carried interest over an 8% preferred return.

Performance Benchmark -- The manager’s performance will be compared with CPI + 500 basis points.

INVESTMENT GUIDELINES FOR
GLOBAL INFRASTRUCTURE PARTNERS, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in Global Infrastructure Partners, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to infrastructure assets globally over a six year period from final close.
- The Fund will focus on investments in transportation (40%), energy (40%) and water (20%) infrastructure assets in OECD and non-OECD countries.
- The Fund will seek to invest in 15 to 25 control-orientated positions.
- The Fund will allocate no more than 20% of the fund in a single investment.
- The Fund will allocate no more than 50% in non-OECD countries and no more than 20% in any one non-OECD country.
- The Fund will have a term of 10 years with two one-year extensions.
- The management fee will be 2.0% of committed capital during the commitment period and 2.0% thereafter as well as a 20% carried interest over an 8% preferred return.

Performance Benchmark -- The manager’s performance will be compared with CPI + 500 basis points.

INVESTMENT GUIDELINES FOR
GLOBAL INFRASTRUCTURE PARTNERS III A/B, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

- Investment Objective and Strategy: The investment fund will make control-oriented equity and equity-related investments and, on a selected basis, investments in debt securities, in each case in infrastructure and infrastructure-related assets primarily in OECD countries over a five year period from final close.

  The investment fund will focus on investments in energy, transportation and water / waste.

- Target Performance: the investment fund aims to deliver a target portfolio gross IRR of 15% to 20% per annum, including an annual cash yield building up over 2-3 years.

- Investment Limitations Include:

  - The investment fund will allocate no more than 20% of the investment fund in a single investment (or 30% including credit support and bridge financings).

  - The investment fund will allocate no more than 10% in non-OECD countries.

- Term: The investment fund will have a term of 10 years with four one-year extensions.

- Management Fee: (i), during the commitment period, 1.75% of committed capital, (ii) from the end of the commitment period 1.75% of invested capital or the aggregate fair market value of outstanding investments, as applicable.

- Carried Interest/Preferred Return: 20% carried interest after an 8% preferred return.

INVESTMENT GUIDELINES FOR
ULLICO INFRASTRUCTURE TAXABLE FUND, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Ullico Infrastructure Taxable Fund, L.P.

- The Investment Adviser represents and warrants that it shall at all times act in accordance with the Illinois Pension Code (40 ILCS 5), including but not limited to the applicable provision set forth in sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 thereof.

- The Fund is open ended, and a LP will be permitted to redeem all or a portion of its units after a four-year lock-up period starting from the later of the LP's date of admission or the due date of the Partnership's initial capital call.

- The Fund will make investments in physical structures and facilities that provide essential services to communities, governments and businesses, including utilities, transportation, social infrastructure and specialist sectors and logistics.

- The Fund will not acquire any portfolio security issued by a portfolio company operating principally outside of the United States or Canada without LP advisory committee consent.

- The Fund will continue until dissolved and liquidated by the GP in its sole discretion, subject to termination for any reason after the four-year period after initial closing upon the vote of 2/3-in-Interest of the LPs.

- As of April 1, 2017, the management fee is (i) 0.4375% per fiscal quarter (1.75% per annum) of the first $50 million of aggregate value of a LP's units, plus (ii) 0.4125% per fiscal quarter (1.65% per annum) of aggregate value of each a LP's units in excess of $50 million up to $75 million, plus (iii) 0.375% per quarter (1.5% per annum) of aggregate value of a LP's units in excess of $75 million, each of (i), (ii) and (iii) as of the last business day of each fiscal quarter.

Section 13

REAL ESTATE

ALEX BROWN REALTY CHESAPEAKE FUND III

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund's investment strategy will focus on mid-sized real estate assets ($10-20 million), which represent the broadest sector of the U.S. commercial property market. The assets will be acquired through joint ventures with local and regional developers and operators.
- The Fund's expected return is 11-14% net.
- It is expected that the properties in the Fund's portfolio will have a loan-to-value ratio of not more than 65% in the aggregate and not more than 80% per property. The Fund does not intend to acquire commercial mortgage loans. The Fund may invest in residential development parcels these investments typically take the form of preferred equity or mezzanine loans.
- The management fee is 1.5% of committed capital during commitment period; thereafter 1.5% of unreturned capital. The preferred return is 9%. The carried interest is 20% of profit distributions, subordinated to the preferred return (cash flow 50%/50% after preferred return until the carry is satisfied; 80% to the LP's thereafter).

ANGELO GORDON CORE-PLUS REAL ESTATE FUND II

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-13 to 1-113.10, and 5-187 to 187.

- The Fund will acquire equity interests in high quality office, retail, multi-family, and industrial real estate predominantly located in the largest U.S. markets, focusing on real estate assets where Angelo Gordon can utilize its value-added expertise to enhance returns.

- The Fund will focus the majority, if not all, of its investment in the US. In addition, the Fund will focus on the 20 largest U.S. markets.

- The Fund's projected return is 12% net.

- There are no investment guidelines available for this manager.

- The management fee is 0.5% of committed capital until invested, then 0.5% of total asset cost (not to exceed 1.25% of equity). There is an incentive fee of 15% to the GP, subject to an 8% cumulative preferred return to the limited partners and a 50% catch-up.

APOLLO EUROPE III

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will be a continuation of the successful investment strategy employed by its two predecessor funds and focus on investing in medium sized investments throughout Europe. Apollo will continue to originate transactions through its longstanding joint venture partner network. Apollo anticipates investing two thirds of the Fund in income producing assets and one third in development. By geography, Apollo anticipates investing 80% in Western Europe and 20% in Central and Eastern Europe. By product type, Apollo anticipates 40-50% in retail with the balance comprising office, residential, and warehousing.

- The Fund's targeted net IRR is 16% and greater.

- Fund investments must be in European real estate. No more than 20% of the Fund may be invested in speculative development. Not more than 10% of the Fund will be invested in raw land. The Fund will be subject to restrictions relating to hostile acquisitions.

- The term of the Fund will be eight years from the final closing. The term may be extended for up to a maximum of two consecutive one-year periods

- The management fee is 1.5% on committed capital during the commitment period and 1.5% on unreturned capital thereafter. There is a 9% preferred return.

BLACKROCK ASIA FUND III (AF III)

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will focus on investments in Japan (31%), South Korea (10%), Malaysia (5%), Singapore (12%), China (25%), and India (5%). Taiwan, Hong Kong, Australia, and Thailand will comprise approximately 12% with a small allocation possible to the emerging markets of Vietnam, Macau, Philippines and Indonesia. AF III utilizes a ‘‘top-down’’ and ‘‘bottom-up’’ approach to analyze markets and to identify trends that may give rise to investment opportunities. The ‘‘top-down’’ approach focuses on regional macroeconomic trends to identify capital misalignments, structural changes in economies and economic trends. AF III then combines its macro-economic research with local market data sourced by AF III strong local network and its alliances. The ‘‘bottom-up’’ approach allows AF III to identify local trends and opportunities and to apply its macro-economic analysis on a local level.

- The Fund’s projected gross IRR is 20-25% and net IRR is 17-20%.

- The Fund may not invest more than 25% in any single asset or more than 30% in any portfolio deal.

- The Fund’s investment period will be 3-years from final close. The total term will be 9-years from final close. Two (2) one-year extensions with advisory committee consent. Additional two (2) one-year extensions are possible with the consent of the LPs representing 66.67% of the capital commitments in MGP Asia.

- The management fee is 1.0% of capital commitments plus 1.0% of adjusted net assets during the investment period. 2% on adjusted net assets after the investment period. Net asset value less accumulated unrealized gains plus accumulated unrealized losses equals adjusted net assets.

BROOKFIELD REAL ESTATE FUND V, L.P. (BREF V)

- Compliance with Laws: The investment manager agrees to act as a fiduciary to the Investor in connection with its investment in the investment fund to the extent and for so long as required under applicable Illinois law. The investment manager will comply with the procurement and contracting requirements of Section 50-5 of the Illinois Procurement Code (30 ILCS 500/50-5) and Article 33 of the Criminal Code of 1961 (720 ILCS 5/33). The investment manager will comply with the information requirements of the Illinois Pension Code, including Sections 1-113.14(c) and 1.113.21 thereof. The investment manager will comply with the requirement of the Illinois State Officials and Employees Ethics Act (5 ILCS 430).

- Investment Objective and Strategy: The investment fund's investment objective is to generate strong, risk-adjusted returns comprised predominantly of current income by investing in real estate finance related transactions in a risk position that are (i) senior to traditional equity and (ii) subordinate to traditional first mortgages. Its lending activities will be focused primarily on high-quality properties in strategic locations.

- Target Performance: The investment fund will target a gross IRR of 12-13% (net 9-10%).

- Investment Limitations Include: Overall leverage of the investment fund, excluding borrowings secured by the investors' commitments may not without investor advisory committee consent exceed 50% of commitments; provided, that overall recourse leverage, other than borrowings secured by investor the commitments, may not exceed 35% of commitments.

  Without the consent of the investor advisory committee, the investment fund will not invest (i) over 20% of commitments in any one investment, except it may invest 30% of commitments in an investment for up to one year, (ii) in investments outside of U.S., except it may invest 20% of commitments in investments located in North America (other than the U.S.), Australia and Europe (including the U.K.), (iii) over 20% of commitments in unsecured debt and loans backed by publicly traded real estate company stock, or (iv) in a blind pool investment fund that has a management fee or carried interest.

- Term: The investment fund's term is ten years from the Initial Closing Date with two one-year extension options.

- Management Fee: The management fee is 1.5% per annum of the investment fund's invested capital.

- Preferred return: The preferred return is 6% per annum.

- Carried Interest: The carried interest is 15%.

CBRE CLARION SECURITIES GLOBAL REAL ESTATE SECURITIES STRATEGY

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund invests in real estate equity securities of companies across North America, Europe and the Asia-Pacific regions. The Fund generally will contain between 80 to 100 securities with an emphasis on current income via the dividend.

- The Fund seeks to outperform the FTSE EPRA/NAREIT Developed (Global) Index over time on average per annum by 200 – 400 basis points gross with a targeted tracking error of approximately 200 – 400 basis points.

- The Fund may invest only in real estate securities. Eligible security types include common stock, preferred stock, convertible preferred stock, convertible debentures, warrants and rights.

- The Fund shall not own more than 10% of the value of its gross assets, at time of purchase, in securities on one issuer.

- The management fee is equal to 65 basis points of the average monthly net asset value of the account.

- Performance Benchmark: The manager’s performance will be compared to the FTSE EPRA/NAREIT Developed (Global) Index.

LONE STAR REAL ESTATE FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will invest in a broad range of real estate and real estate related investments where the intention is to take title or control and actively manage, reposition, improve or otherwise add value to the assets, including direct equity investments, real estate debt investments, and real estate operating company investments.

- The Fund's projected return is 20%+ net (25% gross of fees).

- No more than 25% in any individual asset or portfolio. No more than 60% in Canada and the U.S. (of which no more than 50% in the U.S.). No more than 60% in Europe (of which no more than 20% outside of Western Europe, the Czech Republic, Poland and Hungary). No more than 60% in Japan. No more than 20% in South Korea. No more than 30% in other areas of the world, including Mexico and the Caribbean.

- The Fund's term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee during investment period is 1.5% of committed unreturned capital, after investment period: 1.0% of average outstanding capital contributions. There is an 8% preferred return with a 50/50 catch-up to 20%, 80/20 to 25% and 70/30 thereafter.

LONE STAR FUND VI

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will target investments in a broad range of financial and other investment assets including, but not limited to, investments in secured and corporate unsecured debt, financially-oriented operating companies, and operating companies with significant real estate assets, through the acquisition of portfolios of assets and entity-level debt and/or equity. Real estate investments will be made in a separate investment vehicle.

- The Fund's projected return is 20%+ net (25% gross of fees).

- No more than 25% in any individual asset or portfolio. No more than 60% in Canada and the U.S. (of which no more than 50% in the U.S.). No more than 60% in Europe (of which no more than 20% outside of Western Europe, the Czech Republic, Poland and Hungary). No more than 60% in Japan. No more than 20% in South Korea. No more than 30% in other areas of the world, including Mexico and the Caribbean.

- The Fund's term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee during investment period is 1.25% of committed unreturned capital, after investment period: 0.75% of average outstanding capital contributions. In addition there is a 50-50 catch-up after an 8% preferred return until a 20% total return on investment; 20% until a 25% total return and 30% thereafter.

LONE STAR FUND X (U.S.), L.P. (LONE STAR X)

- **Investment Objective and Strategy:** The investment fund will target investments in a broad range of financial and other opportunistic investment assets (other than commercial real estate investments) including, but not limited to, investments consisting predominately of any of the following: (i) single-family residential real estate, (ii) non-performing and sub-performing single-family residential real estate-secured debt, corporate debt, and consumer debt, (iii) control investments in financially oriented or other operating companies, and (iv) securitized products relating to single-family residential real estate, corporate debt or consumer debt, such as RMBS, CDOs related to such loans or securities, credit default swaps, repurchase agreements, and other asset-backed securities (the underlying or referenced assets of which generally consist of assets described in this paragraph), as well as entering into other derivative instruments related to any of the foregoing investment types.

- **Term:** The investment fund's term is for eight years from the final closing with the option to extend for up to two one-year periods at the investment manager's discretion, unless two-thirds in interest of the investors disapprove of any such extension.

- **Management Fee:** (i) during investment period is 1.45% of investable capital and (ii) after investment period is 0.60% of the excess of average outstanding capital contributions of the Fund over all capital contributions by the Fund representing unrecovered write-downs.

MESIROW FINANCIAL REAL ESTATE VALUE FUND, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund (a closed end fund) Strategy is to invest in domestic value-added investments in the multifamily sector.
- Geographic focus is solely in the United States.
- The Fund’s targeted net IRR is 12% (or 1.9x TVPI Multiple).
- The Fund will terminate on December 31, following the eighth anniversary of the final closing date. The term may be extended for one-year at the General Partners sole discretion.
- The management fee is 1.5% on committed capital during the investment period and 1.5% on invested equity thereafter.
- Distributions are as follows: 9% preferred return (compounded annually) to the Limited Partners pro rata based upon their capital contributions; 50% Limited Partners / 50% General Partner as a catch-up until the General Partner receives 20% of all Fund distributions after return of capital to the Limited Partners; and thereafter, 80% Limited Partners / 20% General Partner.
- Key Person for the Fund is Alasdair Cripps, Senior Managing Director.
- Target leverage is 60%, with a maximum expected leverage of 65%.

MORGAN STANLEY PRIME FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- Prime Property Fund’s strategy is to maintain a high concentration of diversified investments in prime U.S. real estate that offers stable, highly predictable cash flow returns. The focus will remain on high quality office buildings, high demand multifamily product, warehouse distribution, storage facilities, and top tier super regional malls and power centers in targeted primary markets.

- The Fund favors investing in major metropolitan markets and secondary markets expected to benefit from strong population and employment growth.

- The Fund’s expected return is 8-12% gross.

- There are no investment guidelines available for this manager.

- The management fee is comprised of a “Base Fee” and an “Incentive Fee.” The Base Fee equals 90 basis points per annum of the NAV (as of the beginning of each calendar quarter) payable quarterly in arrears. The Incentive Fee payable at the end of each calendar year shall not exceed 45 basis points per annum of the “Average Monthly NAV” for the calendar year.

Performance Benchmark: The manager’s performance will be compared to the NCREIF Property Index.

MSREF VI INTERNATIONAL

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will target investments in non-U.S. real estate portfolios, corporate spin-offs and liquidations, real estate operating companies, direct investments and developments. The Fund may also acquire a limited number of Non-Performing Loan (“NPL”) portfolios. The Fund’s projected allocation is as follows: Japan 40%, Western Europe (Italy, Germany, U.K., Spain and France) 30%, Other Developed Asian Markets (Hong Kong, South Korea, Taiwan) 5%, China 15%, and Other Emerging Markets (India, Turkey, Mexico, Russia and Brazil) 10%.

- The Fund’s expected gross return is 20%+ (15% net).

- There are no investment guidelines available for this manager.
- The Fund’s term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee is 1.0% of capital invested in all investments. There is a 1.0% acquisition fee. 0.75% of the acquisition fee is to be rebated making the effective fee 0.25%. In addition there is a 20% promote after return of capital and preferred return of 9%, 60/40 catch-up until GP receives 20% of profits.

NEWPORT CAPITAL

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund's strategy is to invest in real estate transactions in the greater Chicago metropolitan area. The Fund's objectives and purposes are to generate attractive risk-adjusted rates of return through investment in urban real estate in Chicago and, perhaps, in other select urban markets. The Fund will seek to create value through the acquisition, development, redevelopment and repositioning of real estate in its target markets.

- The Fund will not invest more than 30% of the aggregate capital commitments in real-estate related "mezzanine securities" or invest or commit, directly or indirectly, in or to any one project in excess of 15% of the aggregate capital commitments or $5 million, whichever is higher.

- The management fee is 1.5% on committed capital during the commitment period in addition to the management fee a development fee equal to 3% of the total cost (including capitalized interest expense, the cost of the land on which a project is located and all "soft" costs of the project).

QUADRANT FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The strategy is constructed and managed to seek an attractive income and total return, a predicable income return, diversification and liquidity. This diversified portfolio will be composed of various real estate assets that fit into four basic groups: real estate equity securities, real estate fixed income securities, real estate private equity and real estate private debt.

- No real estate asset exposure will constitute more than 5% of overall strategy assets. Minimum of 60% in liquid sectors (REITs, CMBS). Maximum of 40% in less liquid, direct sectors (loans, mezzanine debt, equity).

- The Fund's expected target return includes a current return of 8%+ net of fees and a total return of 10%+ net of fees.

- The management fee is an annual rate of 1% of the average monthly net asset value (NAV) of the Fund.

- Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.

SOUND MARK HORIZONS FUND

- Compliance with Laws: The Advisor shall use commercially reasonable efforts to not taken any actions that would directly cause the investor to be in violation of sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 of the Illinois Pension Code.

- Investment Objective and Strategy: The investment fund is focused on investing assets in low to medium risk commercial real estate, debt and other investments that the Advisor believes can provide attractive returns on a current and fully realized basis.

- Hold Period: For debt investing, the investment fund expects generally to maintain a hold-to-maturity strategy, except in cases where the sale or disposition of an asset will result in superior performance returns. For equity ownership positions, the investments will generally be modeled at closing to assume hold periods of 3-5 years, and are expected to be realized after Advisor concludes it has maximized the asset's potential price / return.

- Permitted Investments: The investment fund may originate, acquire or otherwise invest in first mortgages, b notes, mezzanine loans, preferred equity, equity participations, securities, or equity relating to any of the following property types: multifamily/residential, mobile home park, retail (anchored), retail (quasi-anchored), retail (unanchored), hospitality, office, industrial, self-storage and mixed use.

- Diversification, Liquidity and Risk Control: Advisor intends to continue to construct on behalf of the investment fund a diversified portfolio of primarily US commercial real estate debt investments, reflecting a low to moderate risk profile. Advisor's target investment size is $10-40 million and the portfolio construction is intended to adhere to conservative credit-centric and diversification standards.

- Term: The investment fund's term shall continue in full force and effect until the investment fund is dissolved pursuant to certain dissolution events.

UBS TRUMBULL PROPERTY FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund's focus is to acquire existing, well-leased properties, or properties with expansion and/or rehabilitation potential and, to a very limited extent, make forward commitments on to-be-built properties. The Fund is primarily a core fund; however, it may make "value added" investments in new development or redevelopment opportunities, properties with lease-up potential, investments with favorable financing in place or properties acquired at prices significantly below replacement cost.

- The long-term strategy for the Fund is to continue to provide broad diversification to maximize portfolio returns while minimizing risk. To ensure reasonable diversification, an asset allocation strategy is employed based on measurements of the market basket of institutional real estate.

- The Fund has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over a full market cycle. The Fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given 3- to 5-year period.

- There are no investment guidelines available for this manager.

- The Advisor will be entitled to receive an asset-based fee and a variable fee, quarterly in arrears, as follows:

  The Base Fee is a blended percentage rate derived by reference to the annual percentage set forth in the following table:

First 10 million	0.955%
Next 15 million	0.825%
Next 25 million	0.805%
Next 50 million	0.790%
Next 150 million	0.670%
Next 150 million	0.600%
Next 200 million	0.560%
Above 600 million	0.520%

  The Variable Fee ranges from a minimum of 0% to a maximum of 0.25%. The Variable Fee for a quarter is determined using gross return and CPI values for the rolling four-quarter period.

Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.
.

(This page left blank intentionally)

PRIOR POLICY PORTFOLIO COMPOSITION

Prior to September 2014, the return of the Policy Portfolio comprised S&P 500 - 15% - Large Cap, MSCI EAFE - 14% - Developed Non US, 60% MSCI World/ 40% Citi WGBI - 12% - Global Asset Allocation, BC Aggregate Bond - 13% - Core US Bonds, 1/3 each: BC Global Aggregate, ML Global High Yield, JPM EMBI - 9% - Multi Sector Fixed Income, Venture Economics All Private Equity - 9% - Private Equity and Infrastructure; HFRI Fund of Funds - 7% - Hedge Funds, Russell 2000 - 6% - Small Cap, MSCI Emerging Markets (net) - 6% - Emerging Markets Equity, NCREIF Property - 5% - Real Estate, Dow Jones – UBS Commodity TR - 2% - Real Assets, BC Global Inflation linked: US Tips - 2% - Real Assets.

Prior to January 2011, the return of a policy portfolio comprised of 30% of the Dow Jones Total Market Index, 18% of the Morgan Stanley Capital International All Country World ex-U.S. Index and 35% of the Barclays Capital Aggregate Bond Index. If the Fund's actual investments in real estate, private equity, and opportunistic strategies are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, private equity, and opportunistic strategies, with the adjustment being taken from the Dow Jones Total Market Index percentage. If the Fund's actual investments in infrastructure are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in infrastructure, with the adjustment being taken from the Barclays Capital Aggregate Bond Index.

Prior to October 1, 2000: the return of a policy portfolio comprised of 45% of the Wilshire 5000 Stock Index, 15% of the Morgan Stanley Capital International EAFE-Free Index and 35% of the Barclays Aggregate Bond Index. If the Fund's actual investments in real estate are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, with the adjustment being taken from the Wilshire 5000 Stock Index percentage.

Prior to April 1, 2000: the return of a policy portfolio comprised of 50% of the Wilshire 5000 Stock Index, 10% of the Morgan Stanley Capital International EAFE-Free Index and 35% of the Barclays Aggregate Bond Index. If the Fund's actual investments in real estate are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, with the adjustment being taken from the Wilshire 5000 Stock Index percentage.

The returns of the Russell Mellon Public Fund Index.

For performance evaluation purposes, all rates of return will be calculated on a net-of-fee basis and returns for periods greater-than one year will be annualized.

(This page left blank intentionally)

Statement of Investment Policy

The Retirement Board of the
Firemen's Annuity and Benefit Fund of Chicago
20 South Clark Street – Suite 300
Chicago, Illinois 60603

(312) 726-5823
(800) 782-7425

Adopted: March 18, 2019

Revised: September 18, 2019

TABLE OF CONTENTS

THE RETIREMENT BOARD OF
THE FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

- SECTION I -
STATEMENT OF INVESTMENT POLICY

INTRODUCTION

The Firemen's Annuity and Benefit Fund of Chicago, Illinois (the "Fund") is subject to the provisions of Chapter 40, Act 5, Articles 1, 1A and Article 6 of the Illinois Compiled Statutes (the "Code"), as amended from time to time. The Fund is administered by the Retirement Board (the "Board"), consisting of eight appointed and elected Trustees.

The Fund is established to provide for the present and future benefit payments for all retired and active firefighter participants and their beneficiaries as authorized under the Code.

The duties of the Trustees, approved delegations to Investment Managers and other fiduciaries, prohibited transactions, and liability for breach of fiduciary duties are set forth in Article 1 of the Code. Fiduciaries must read and abide by these provisions.

RESPONSIBILITIES OF THE RETIREMENT BOARD

The Board is charged by law with responsibility for the management of the Fund. The Board and its members shall discharge their duties solely in the interest of the Fund, with the care, 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 a like character with like aims. The responsibilities of the Board relating to the investment management of Fund assets include:

1. Establishing reasonable and consistent investment objectives, policies and guidelines governing the investment of Fund assets.
2. Selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
3. Determining the Fund's liquidity requirements, investment horizon and risk tolerance and communicating these to the appropriate parties.
4. Evaluating the performance of Investment Manager(s) and other qualified investment professionals to assure adherence to policy guidelines and to monitor investment objective progress.
5. Acknowledge annually, via written signature, compliance with the Fund’s Code of Ethics and Conflict of Interest policies.
6. Filing the requisite reports required by the Code with the Illinois General Assembly, the Department of Insurance and related entities.

SCOPE AND PURPOSE OF INVESTMENT POLICY

Scope
This Statement of Investment Policy (the "Statement") reflects the investment policy, objectives, and constraints of the Firemen's Annuity and Benefit Fund of Chicago.

Purpose
This Statement of Investment Policy is set forth by the Board of the Fund in order to:

1. Define and assign the responsibilities of all involved parties;
2. Establish a clear understanding for all parties of the investment goals and objectives of Fund assets;
3. Establish a basis for evaluating investment results;
4. Establish a framework for further review and revision of this policy.

DUTIES OF FIDUCIARIES

Each member of the Board of the Fund is a fiduciary, and is responsible for the management of Fund assets. As such, the Trustees are authorized to retain professional experts including but not limited to:

1. Investment Consultant(s): The Investment Consultant(s) is an advisor to the Board retained to provide investment management advice and act as a fiduciary for the purposes of the duties assumed under the Consulting Services Agreement. The Investment Consultant(s) will provide investment management advice concerning the investment management of Fund assets. Specific responsibilities of the Investment Consultant include, but are not limited to:

A. Assist in the development and on-going review and maintenance of the investment policy, goals, objectives and portfolio asset allocation.

B. Conduct Investment Manager searches as authorized by the Investment Committee. As a matter of Trustees' policy, the Fund's Investment Consultant is directed to actively seek qualified Emerging Investment Managers, as such term is defined in the Code, whenever conducting a search for Investment Managers. Pursuant to Section 1-109.1. of the Pension Code, it is the public policy of the State of Illinois to encourage the trustees of public employee retirement systems to use qualified Emerging Investment Managers in managing assets of their respective plans to the greatest extent feasible within the bounds of financial and fiduciary prudence. The Investment Consultant, in conjunction with Fund Investment staff, will conduct the investment manager search and coordinate and communicate directly with the investment managers, pursuant to the Fund's Procurement Policy, adopted June 1, 2009.

C. Provide research and/or due diligence reports on each of the Fund's investment managers. Evaluate investment manager performance in terms of effective implementation of investment strategy, actual performance versus established return and risk benchmarks, organizational stability, adherence to the investment contract and compliance with investment guidelines and restrictions.

D. Measure and monitor the performance and risk of the investment managers. Prepare and present quarterly summaries of investment manager activities and performance. Calculate investment performance (gross and net of fees) and risk measurements at the total fund, asset class, investment style, and manager levels. Reconcile discrepancies in performance returns calculated by the investment manager, Fund custodian and Investment Consultant.

E. Communicate advice on matters of policy, manager research, manager performance and capital market conditions to the Investment Committee and Investment staff.

F. Review Fund investment history, historical capital markets' performance and the contents of the Statement of Investment Policy with all Trustees, as necessary.

G. Provide continuing asset/liability allocation review and specific recommendations.

H. Communicate with all investment related professionals retained by the Fund as required or prudent. This shall include, but is not limited to, notifying investment managers of "watch list" status, changes to the investment guidelines, and requested appearances before the Investment Committee.

I. Attend the following meetings:
   1. Investment Committee meetings,
   2. Investment Manager Symposium,
   3. presentations by current or prospective investment managers,
   4. Investment staff planning sessions, as necessary, and
   5. other occasions, as necessary.

J. Other duties or services as can be reasonably requested of an Investment Consultant.

2. **Discretionary Investment Managers**: The Board at its discretion may contract with Investment Managers based on an evaluation of their investment philosophy, performance and ability to complement existing portfolio styles.

Each specific manager must manage Fund assets according to their stated investment discipline as stated in the guidelines and in accordance with their specific written agreement with the Board. No deviation from this discipline is authorized unless first discussed with the Board and its Investment Consultant, and written approval issued.

Investment Managers are granted discretionary authority to manage stated assets for the Board. This Statement of Investment Policy communicates policies regarding the current asset allocation strategies for the Fund and the duties and obligations of Investment Managers. Each Investment Manager will have full discretion, within the confines of its stated investment discipline, to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Statement, and in each manager's specific investment guidelines, including applicable addenda. Specific responsibilities of the Investment Managers include:

A. Discretionary investment authority including decisions to buy, sell, or hold individual securities within the guidelines established in this Statement and applicable to the investment manager.

B. The timely communication of any significant changes regarding economic outlook, investment strategy, or any other factors which may have an impact upon the achievement of the Fund's investment objectives.

C. Informing the Board regarding changes within the investment management organization within ten (10) business days of such change(s). Examples include but are not limited to: changes in portfolio management personnel, ownership structure, and/or investment philosophy.

D. Voting proxies - Each Investment Manager has discretion to vote all proxies for securities held for the Fund, so long as in the Manager's belief the result of the ballot would serve to increase the value of the investment or otherwise benefit the Fund. Allowable exceptions to this voting policy include proxy votes on issues the Trustees have reserved the right to review or any other issue as directed by the Trustees.

E. Timely Reporting of Investment Activities - Each Investment Manager shall provide reports to the Board as outlined in Section VIII.

3. C**ustodian(s)**: The Custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian(s) will perform regular accounting of all assets owned, purchased, or sold, as well as monitor the movement of assets into and out of the Fund accounts. The Custodian(s) may also perform additional contracted services including but not limited to securities lending, portfolio analysis, performance reporting and computer accessible reporting.

4. **Additional Professionals**: Additional professionals, including but not limited to attorneys, actuaries and auditors may be retained by the Board as necessary to assist toward the prudent administration of the Fund’s assets.

INVESTMENT CONTRACTS

Contracts are an integral part of the selection of investment professionals and, therefore, guidelines apply to the selection of outside investment professionals.

With respect to all investment relationships, it is the responsibility of the Fund attorney and staff to review and document written agreements with all Investment Managers consistent with the requirements of Article 1 of the Code. The Fund utilizes a uniform Investment Management Agreement that all Investment Managers will be expected to execute and deliver as a condition precedent to funding. Staff will assist in the review of all contracts and negotiate fees on all investment advisor relationships, subject in most cases to the results of the competitive selection process.

Investment Managers shall affirm within their investment contract that they are fiduciaries with respect to the Fund. Investment Managers shall also acknowledge and comply with the Fund’s Code of Ethics and brokerage policy.

The Investment Consultant(s) contract shall limit compensation to hard dollars (cash) for all services rendered. No other form of compensation, including any type of soft dollar arrangements shall be permitted. The Investment Consultant(s) shall affirm that they act as a fiduciary of the Fund with respect to the investment advice given and also acknowledge and comply with the Fund's Code of Ethics.

The Board and staff shall review all investment relationships on a regular basis. The Investment Consultant(s) shall be reviewed and a request for proposals ("RFPs") issued in accordance with the Fund's procurement policy will be conducted at least every five years. A review may be conducted sooner if deemed necessary. Renewal of the Investment Consulting contract without a formal RFP and search process is prohibited.

- SECTION II - INVESTMENT GOALS AND OBJECTIVES

The purpose of the Fund establishing an investment policy is to obtain the highest return possible on Fund investments within corresponding acceptable levels of investment risk and liquidity requirements, in recognition of prudent person standards and in compliance with the Illinois Statutes governing the operation and activities of the Fund.

FUNDING LEVELS, LIQUIDITY REQUIREMENTS AND ASSET ALLOCATION CONSIDERATIONS

Due to the actuarial underfunding of Fund liabilities, the investment strategy of the Fund must emphasize the greater need for longer term growth of capital while fulfilling the immediate liquidity requirements of the Fund's benefit payout.

To maximize the potential gain on assets, the Fund has decided to maintain a fully invested position in accordance with the established target asset allocation. The Fund believes that liquidity requirements may be met by active investment managers while minimizing the possibility of capital losses due to the forced sale of a security to meet a required payment by following an appropriate monthly rebalancing procedure.

TARGET ALLOCATIONS

The Board has determined that the following asset allocation policy is currently appropriate for the Fund. This asset allocation policy will be reviewed periodically and may be modified, if appropriate, in light of changes in the structure or goals of the Fund. The Board will review asset allocation strategy upon any meaningful change in projected contributions into the Fund. The following asset allocations are meant to apply to the actual realized asset class allocations as opposed to the allocations among manager types.

The Fund’s asset allocation shall be reviewed in no longer than five year intervals. Asset allocation may be reviewed more frequently, or deferred, as determined by a majority vote of the Board. Changes to the asset allocation policy, whether temporary or permanent, require a majority vote of those Board members present at a Board meeting consistent with the requirements of the Open Meetings Act.

An asset liability modeling (ALM) study shall be completed in no longer than five-year intervals. An ALM may be conducted more frequently, or deferred, as determined by a majority vote of the Board.

Equity	**Target**	**Minimum**	**Maximum**
Broad US Equity	35%	31%	39%
Large Cap US Equity	*21%*	*17%*	*25%*
Small/Mid Cap US Equity	*14%*	*10%*	*18%*
Global Ex-US Equity	25%	21%	29%
International Equity	*20%*	*16%*	*24%*
Emerging Markets Equity	*5%*	*1%*	*9%*
Private Equity	4%	0%	8%
Total Equities	**64%**	**60%**	**68%**
Real Assets			
Commodities	2%	0%	6%
TIPS	2%	0%	6%
Core Real Estate	4%	0%	8%
Global REITs	4%	0%	8%
Total Real Assets	**12%**	**8%**	**16%**
Fixed Income			
Core Fixed Income	20%	16%	24%
Total Fixed Income	**20%**	**16%**	**29%**
Liquid Diversifying Assets	4%	0%	8%
Cash	0%	0%	5%
Total	**100%**		

The table that follows illustrates the current benchmarks to be used for each asset class. These benchmarks will be used to evaluate the performance of individual asset classes, and will also be combined based on the target weights, to arrive at a Performance Benchmark, or Policy Target.

Equity	Performance Benchmark
Broad US Equity	Russell 3000 Index
Large Cap US Equity	*Russell 1000 Index*
Small/Mid Cap US Equity	*Russell 2500 Index*
Global Ex-US Equity	MSCI All Country World Ex-US Index IMI (net)
International Equity	*MSCI EAFE Index(net)*
Emerging Markets Equity	*MSCI Emerging Markets Index (net)*
Private Equity	Cambridge US Private Equity Index (legacy)
Real Assets	
Commodities	100% Bloomberg Commodity Index
TIPS	Bloomberg Barclays US TIPS Index
Core Real Estate	NCREIF ODCE Index (Gross)
Global REITs	FTSE EPRA NAREIT Developed Real Estate Index (Net Div)
Fixed Income	
Core Fixed Income	Bloomberg Barclays Aggregate Bond Index
Liquid Diversifying	90 Day T-Bills + 4%
Cash	90 Day T-Bills
Total	**Weighted Average of Asset Class Benchmarks**

REBALANCING PROCEDURES

In order to maintain the established target asset allocation, the Fund has determined that a specific rebalancing procedure is necessary. The Fund has also determined that this procedure should coincide with the liquidity requirements of the Fund so as to limit the amount of required liquidations and associated transaction costs. As the Fund benefit payouts are known with a high level of confidence at least two months in advance, the procedure can be determined fairly accurately. This will allow the Investment Managers to receive ample notice about required liquidations. This process should avoid forcing quick sales or high transaction costs.

The Chief Investment Officer (CIO), or other Fund staff, shall estimate expected cash receipts and disbursements, including current and following month-end benefit payments, to determine the amount of any required liquidation. The CIO shall then analyze the asset allocation, generally seeking to reduce the allocation of the largest or most overweight managers on an absolute basis, present the findings to the Board for approval, and then facilitate the liquidation from as few or as many Investment Managers as necessary in order to fund the benefit payments and Fund expenses. By continually liquidating assets from the most overweight Investment Managers, the Fund will work its way toward the desired target asset allocation, ensuring that it remains at or near the desired target levels.

.

SECURITIES LENDING

Overview

The Board intends to maintain a securities lending program, as the Board believes it provides a means of enhancing the overall Fund performance. The investment objective for the securities lending program is to generate incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification of the cash collateral portfolio and tightly controls exposure to fluctuating interest rates. The Board will evaluate the income attributable to the program and the risks inherent in the program. The Board expects the investment staff to offer suggestions with respect to any possible improvements in the program, and to monitor the results of the program (e.g., income, costs associated with the program, issues that arise with respect to the program).

The specifics pertaining to any securities lending program shall be detailed in a separate Securities Lending Agreement.

Risk Control

The Custodian and/or securities lending sub-agent is responsible for conducting all appropriate and necessary due diligence on the borrowers and potential borrowers. The name of borrowers and potential borrowers shall be updated and provided to the Board promptly following the end of each calendar quarter

The Custodian and/or securities lending sub-agent is responsible for ensuring that all loans are at least 100% collateralized. Specific requirements for the amount of collateral required for loans on each type of security, as well as the quality and guidelines for investment of such collateral shall be defined in the Securities Lending Agreement.

Securities shall not be loaned in excess of forty percent (40%) of the market value of Fund's assets (not be taken on an individual manager account-by-account basis) under the care of the Custodian, marked to market on a day-to-day but not on an intra-day basis.

Cash collateral shall be invested by the Custodian, and/or its security lending sub-agent pursuant to the Securities Lending Agreement.

The Fund shall direct the Investment Manager of the securities to notify the Custodian of any sales by no later than the trade date to permit the Custodian to effect timely return of loaned securities prior to or on the settlement date.

The Custodian, upon notification of default by a borrower, which shall be reported immediately to the Board in writing, the Custodian shall take such actions as are prudent, necessary and appropriate to use the collateral to acquire replacement securities of the exact same type and kind as the securities which were loaned to the borrower. Any inability to acquire such securities shall be reported to the Fund and to the Investment Manager immediately.

Monitoring

The Custodian and/or securities lending sub-agent is responsible for reporting fully on all aspects of the Securities Lending Program, including its operation and returns. The Custodian and/or securities lending sub-agent shall cooperate fully with all reasonable requests for documents and records made by the Board and/or an independent certified public accountant selected and retained by the Board to audit securities lending activities.

The Fund shall receive a monthly report of the securities on loan, the income received from loans, the Custodian's and sub-agent fees from loans, the composition of collateral, and the investment characteristics of the collateral. In addition to the monthly report, significant events which require additional reporting shall include but not be limited to borrower list changes, failed trades due to securities on loan, and collateral shortfalls.

- SECTION III -
GUIDELINES FOR ACTIVELY MANAGED FUND ASSETS

Each Investment Manager within the Fund will be chosen for a specific discipline and will be required to adhere to these general investment guidelines:

1. **Risk Aversion**: Investment Managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the return of the portfolio under management is commensurate with the level of risk that is assumed within any given discipline.

2. **Fully invested**: The Board has adopted a long term Asset Allocation Policy and grants Investment Managers discretion over assets within the portfolios they manage. The Board has set specific guidelines concerning the allowable levels of cash that may be maintained in each actively managed portfolio. The Board will closely monitor the use of cash by any manager. If a manager believes that a change in its specific guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board. Under conditions of extreme market duress and upon a majority vote of the Board, cash level guidelines may be altered, as is prudent, for defensive purposes.

3. **Portfolio Diversification**: In order to achieve a prudent level of portfolio diversification, the manager's investment guidelines will articulate any constraints regarding concentration of positions by sector and limits that must be adhered to in attempting to exceed the returns of the performance benchmark.

4. **Investment Discipline Objectives**: Each separately managed portfolio will have specific guidelines and objectives established by the Board. Investment Managers are expected to adhere to the investment discipline for which they were hired. Managers will be evaluated for adherence to their stated investment discipline.

   Specific investment goals and constraints for each Investment Manager shall be established in the investment contract documentation between the Fund and the Investment Manager.

   The goal of each Investment Manager, over the investment horizon, shall be to:

   A. Exceed the market index, or blended market index, selected and agreed upon by the Board and Investment Manager that most closely corresponds to its style of investment management.

   B. Unless otherwise agreed to by the Board and Investment Manager, display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified. Typically, risk will be primarily measured by the standard deviation of returns, secondarily by tracking error.

The Investment Managers are charged with the responsibility of maintaining their portfolios in compliance with the investment guidelines. Under no circumstances shall an Investment Manager take an action which causes the portfolio to be in conflict with the guidelines without prior written consent of the Board. If there is a deviation from the guidelines because of an Investment Manager's action, the manager will be reviewed by the Board at the next meeting following notification of the deviation. If there is a deviation from the guidelines because of a change in the market value of an Investment Manager's portfolio or a particular holding, or a change in quality rating of a particular holding, the Investment Manager shall take action that is prudent and appropriate to the intended purpose of the portfolio. If for any reason a portfolio deviates from the guidelines, the Investment Manager is responsible for reporting the deviation from the guidelines to the Board and its Investment Consultant in writing within 30 days of when the manager should have known the deviation occurred. The Investment Manager is required to give this notice even if they have taken immediate action to correct the deviation. The Investment Manager will explain the deviation from the guidelines and suggest appropriate action. Within 60 days after receiving notification of a deviation from the investment policy guidelines, the Board will respond to the manager's recommendation and will direct appropriate action. Depending upon the severity of the circumstances, the consequences of deviating from the investment policy guidelines could range from an Investment Manager appearing before the Board up to and including the manager's termination.

5. **Brokerage and Execution of Transactions**: Investment Managers with authority over Fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution, in accordance with Section 1-113.20 of the Code.

   Additionally, as outlined in *SECTION IV – MINORITY, WOMEN AND DISABLED PERSONS BROKERAGE,* it is the policy of the Fund to utilize Minority, Women and Disabled Persons owned brokerage services, as defined in the Illinois Business Enterprise for Minorities, Women and Persons with Disabilities Act, whenever possible.

6. **Minority, Women and Disabled Persons Business Enterprise Investment Manager Utilization Policy** In accordance with 40 ILCS 5/1-109(10), the Board supports the aspirational goal that not less than 20% of investment advisors be minorities, women, and persons with disabilities.

I. Emerging Managers

In accordance with 40 ILCS 5/1-109.1(4), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by emerging investment managers:

	Goal Range
Total investment assets	7% to 10%
A.) By asset class	
Equity	3% to 10%
Fixed Income	2% to 10%
Real Assets	2% to 10%

B.) By ownership classification

Minority	7% to 10%
Women	3% to 7%
Disabled Persons	0% to 2%

II. Minority Managers

In accordance with 40 ILCS 5/1-109.1(9), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by minority investment managers:

	Goal Range
Total investment assets	12% to 24%
A.) By ownership classification	
Minority	8% to 12%
Women	4% to 8%
Disabled Persons	0% to 4%

These goals shall be reviewed annually.

Consistent with the requirements of Section 1-113.22 of the Code, no later than each January 1st, the Fund's Consultant(s) shall disclose to the Board: (i) the total number of searches for investment services made by the Consultant in the prior calendar year; (ii) the total number of searches for investment services made by the Consultant in the prior calendar year that included: (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability; (iii) the total number of searches for investment services made by the Consultant in the prior calendar year in which the Consultant recommended for selection (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability; (iv) the total number of searches for investment services made by the Consultant in the prior calendar year that resulted in the selection of (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability; and (v) the total dollar amount of investment made in the previous calendar year with (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability that was selected after a search for investment services performed by the Consultant.

7. **Sustainable Investing Principles** In accordance with 40 ILCS 5/1-113.6 and 40 ILCS 5/1-113.17, the Board will regularly consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors. The Fund, in conjunction with its Consultant, will perform periodic evaluations of those factors to ensure the factors are relevant to the investment portfolio and the evolving marketplace.

- SECTION IV –
MINORITY, WOMEN AND DISABLED PERSONS BROKERAGE

The Board has determined that consistent with the public policy of the State of Illinois, it is the policy objective of the Fund to increase brokerage services provided to the Fund by minority, female and disabled person business enterprises as defined by the Illinois Business Enterprise for Minorities, Females, and Persons with Disabilities Act Women.

Minority, women and disabled person-owned business enterprises ("MWDBE") are defined as a sole proprietorship, partnership, or corporation owned, operated, and controlled by minority, women and disabled group members who have at least 51% ownership as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The defined group member(s) must have day to day operational and managerial control, and an interest in capital and earnings commensurate with his or her percentage of ownership. In addition, the brokerage firm and its operating members must be registered with the appropriate federal and state agencies and must have an established record of business performance through a history of having provided good execution and reporting services.

Subject to the Fund's policy that Investment Managers with authority over Fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution in respect to placing brokerage consistent with Section 1-113.20 of the Code, the Investment Managers will be expected to use their best efforts to place brokerage business with minority, women and disabled person business enterprise firms as defined.

Each Investment Manager shall submit a quarterly report detailing the use of minority, women and disabled person business enterprise firms and the year to date amounts and type of brokerage placed with each firm.

Each Investment Manager that fails to submit a quarterly report or fails to use its best efforts (as determined by the Trustees) to assist the Fund in fulfilling the above stated policy will be scheduled to appear before the Trustees to explain its actions.

It is the goal of the Fund to have at least 12% of its fixed income transactional amounts and at least 22% of its equity related commissions be placed with MWDBE broker/dealers. Program success will be measured in aggregate.

Managers shall not utilize indirect methods, such as "step-out" commissions, to achieve these goals.

When purchasing new issue securities, the manager will make every effort to utilize minority broker-dealers who are part of the underwriting syndicate sell the new issues.

- SECTION V -
SELECTION AND REVIEW OF INVESTMENT MANAGERS

The Board of Trustees' selection of Investment Manager(s) must be based on prudent due diligence procedures. All manager selections must be conducted using a formal search process where qualifying candidates are reviewed on a consistent basis. At the discretion of the Board, a follow-on or legacy investment(s) through closed-end funds may be excluded from a formal search process consistent with the requirements of Section 1-113.14 of the Code. The Board will consider a broad range of candidates and actively consider minority, women and disabled person-owned business enterprises (MWDBE) that also have the required capabilities.

A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940 or exempt from registration as demonstrated to the satisfaction of the Board, or a bank or insurance company similarly registered or exempt. The Board requires that each Investment Manager provide, in writing within the Investment Management Agreement, acknowledgment of fiduciary responsibility to the Fund as specified in the Illinois State Statutes.

During the search process candidates are not permitted to contact Board members. Any contact between Board members and candidates prior to the finals presentation may result in disqualification.

INVESTMENT MANAGER SELECTION

The manager search process combines both quantitative and qualitative components in an effort to identify suitable candidates. Such quantitative and qualitative components will also include a review of the candidates' inclusion of sustainability factors in its investment decision-making process. The Investment Consultant and Fund investment staff will lead Investment Manager searches with the coordination of staff. A formal Request for Proposal will be initiated and all procedures outlined in the Fund's Procurement Policy will be employed. The final selection of an Investment Manager will be approved by a majority of the Board.

Depending upon the mandate of each Investment Manager search, minimum screening criteria will be prepared, in writing, by the Investment Consultant and Fund investment staff in advance of each search. Criteria shall include, but is not limited to:

- Personnel qualifications of the firm's ownership, investment professionals and support staff, including but not limited to education, investment experience, tenure, etc;
- Total assets under management of the firm and within the mandate sought;
- Suitable number of years as a going concern;
- A verifiable track record that demonstrates consistent adherence to the stated investment approach;
- Risk and return characteristics of historical data that are consistent with the specified role;
- No legal or regulatory judgments/actions pending or outstanding, and;
- Any other material issue negatively impacting the Fund.

The inclusion of investment management firms in any search which do not meet the minimum determined screening criteria must be fully documented and disclosed, in writing, to all Trustees.

Consistent with the requirements of Section 1-113.23 of the Code, the Investment Consultant shall disclose to the Board any compensation or economic opportunity received in the last 24 months from an Investment Manager that is recommended for selection by the Investment Consultant. The

Investment Consultant shall make this disclosure prior to the Board selecting an Investment Manager for appointment.

PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant(s) (quarterly) and Custodian(s) (monthly) shall be compiled and communicated to the Board for review. The investment return of the total portfolio, as well as asset class components, will be measured against performance benchmarks, appropriate for each portfolio, as adopted by the Board. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Statement.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, compliance with the Fund directives regarding utilization of minority, women and disabled-owned broker dealers and other factors that may impact their ability to achieve the desired investment results.

Though the Board reserves the right to terminate a manager at their discretion, “watch list” guidelines have been established to facilitate the review process.

A manager may be placed on a “watch list” and a thorough review and analysis of the manager may be conducted under the following circumstances:

- The manager or strategy may no longer fit the desired portfolio structure. This may reflect a revision of the desired portfolio structure due to other factors such as changes in asset allocation and/or risk profile.
- The manager fails to achieve the performance objectives established within the Investment Policy such as underperformance relative to a designated index benchmark or median of the peer universe.
- The manager or strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.
- The manager or strategy exhibits style drift or a change in philosophy, which the manager was not initially hired to provide.
- Any gross negligence, willful misconduct, malfeasance, investment policy violation or breach of federal and/or state securities laws.
- Failure to comply with Board policies or this Statement of Investment Policy.
- Any other reason including but not limited to items such as ownership, organizational or portfolio management changes, legal or regulatory actions initiated against the manager or any other material issue negatively impacting the Fund.

Ultimately the decision to retain or terminate an Investment Manager cannot be made by rigid rules or formula. It is the Board's confidence in the manager's ability to add value to the Fund that ultimately determines the retention of the manager. The Board may find it necessary to terminate an Investment Manager at any point, based upon, but not limited to the following criteria:

1. Inability to exceed the stated performance objectives.
2. Inability to adhere to all applicable Board Policies, Investment Policies and Investment Manager Guidelines.
3. Material changes in the investment manager's organization, investment philosophy and/or personnel.
4. Any legal, SEC and/or regulatory agency proceedings affecting the investment manager.
5. To meet liquidity needs.
6. De minimus account size.
7. To implement change in total fund or asset class investment strategy or allocation among asset classes

- SECTION VI -
DEFINITIONS AND CONCLUSION

1. **"The Fund"** shall mean The Firemen's Annuity and Benefit Fund of Chicago.

2. **"Retirement Board"** or **"Board"** shall refer to the governing Board of Trustees established to administer the Fund as specified by applicable ordinance.

3. **"Fiduciary"** shall mean any entity or person who exercises any discretionary authority or discretionary control respecting management of the Fund or exercises any authority or control respecting management or disposition of the Fund's assets, or renders investment advice for a fee or other compensation, direct or indirect, with respect to monies or property of the Fund, or has any discretionary authority or responsibility in the administration of the Fund.

4. **"Investment Consultant"** shall mean any entity or person employed to provide advisory services, including advice on investment objective and/or asset allocation, manager search, and performance monitoring.

5. **"Investment Manager"** shall mean any individual, or group of individuals, employed to manage the investment of Fund assets.

6. **"Broker/Dealer"** shall mean any entity or person in the business of effecting securities transactions for its own account and/or of others and registered as such with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc.

7. **"Investment Horizon"** shall be the time period over which the investment objectives, as set forth in this Statement, are expected to be met. The investment horizon for this fund is an 80 year spectrum segmenting risk tolerance to the present value of the Fund liabilities as follows: Conservative - current to 3 years, moderate - 4 to 15 years, and aggressive - 16 to 80 years.

8. **"Market Cycle"** shall be a time period which includes a significant market decline from peak to trough and a sustained market increase significantly above the previous peak. Observing performance over a market cycle allows the Board to analyze the results without biasing the results in favor of managers that might outperform during certain sub-periods. If a market cycle should take place within a short time period, additional time may still be needed to assess the value added of the manager.

9. **"Emerging Investment Manager"** shall mean a qualified investment adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a "minority-owned business", "women-owned business" or "persons with a disability owned business" as those terms are defined in the Illinois Business Enterprise for Minorities, Women and Persons with Disabilities Act.

10. **"Minority Investment Manager"** means a qualified investment manager that manages an investment portfolio and meets the definition of "minority owned business", "women owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disability Act.

CONCLUSION

This Statement of Investment Policy is a working document structured to accomplish long-term and short-term planning. Investment Managers and other fiduciaries are invited to contact the Fund or the Investment Consultant(s) with any questions about the interpretation or application of any provisions. This Statement of Investment Policy will be reviewed as needed. All changes will be communicated to all appropriate parties in writing.

Please address reports, correspondence and communications to:

THE FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Attention, Chief Investment Officer
20 South Clark Street – Suite 300
Chicago, Illinois 60603-1899
(312) 726-5823

- SECTION VII -
SPECIFIC OBJECTIVES AND GUIDELINES FOR INDIVIDUALLY MANAGED PORTFOLIOS

INVESTMENT OBJECTIVES AND GUIDELINES

The Board expects to receive results from the Investment Managers that are consistent with the policies included herein. The Board has established investment guidelines specific to each investment manager retained by the Fund. These objectives and guidelines will provide a basis for evaluating the effectiveness of each Investment Manager and the overall investment program over time. In addition to each managers' specific guidelines, the following broad restrictions apply to all investment managers employed on behalf of the Fund.

BOARD RESTRICTIONS

- No assets, with the exception of approved alternative investments, shall be invested in restricted (lettered) stock or in private placements. This restriction is not meant to preclude purchases of securities issued under SEC Rule 144a. Rule 144a allows trading among qualified institutional investors within a segment of the private placement market.

- No assets will be invested with firms that make, service or invest in loans as defined by the Illinois High Risk Home Loan Act.
- Derivatives will be utilized in a prudent manner that is consistent with the investment mandate for which an Investment Manager has been employed.
- During such time as an investment in a commingled fund shall exist, the Declaration of Trust or other document creating said commingled fund shall control, subject to a negotiated side-letter or other contractual documentation between the parties that incorporates the requirements specified in the Illinois Pension Code and the limitations set forth within the Investment Guidelines do not apply.

TOTAL FUND - OBJECTIVES AND GUIDELINES

Investment Objectives

The primary investment objective of the Fund shall be to exceed the return of the performance benchmark, on a net of fee basis, over a full market cycle. The Performance Benchmark, or Policy Target, shall be a weighted average of each asset class benchmark, weighted by the target allocation to each asset class over time.

A secondary measure of investment success shall be a review of returns relative to a universe of peer public pension plans. Over the long term, the Fund objective is to rank within the top 33% if a universe of peers. During intermediate or shorter term periods, the Fund seeks to rank in the top 50% of the same universe.

Investment Guidelines

- The investment guidelines governing each asset class/manager will together constitute the Total Fund guidelines.
- The Board is responsible for the overall asset allocation of the Fund. Each manager will be responsible for adhering to the guidelines for its portion of Fund assets.

- SECTION VIII-

REQUIRED REPORTING OF ACTIVELY MANAGED INVESTMENT PORTFOLIOS

The Board has determined that each Investment Manager given discretionary authority over a portion of the Fund's assets shall provide the following required reports to the Fund at the time periods indicated.

Five (5) copies of these reports shall be compiled and distributed electronically in PDF format as follows:

1. Investment Committee Chairman	ICM@fabf.org
2. Chief Investment Officer	CIO@fabf.org
3. Executive Director	EXECDIR@fabf.org
4. Comptroller	COMP@fabf.org
5. Callan Associates	CALLAN@fabf.org

ON A MONTHLY BASIS, provided no later than seven (7) business days after month end:

1. A RECONCILIATION: Between the managers records and those provided by the Fund's Custodian, outlining any differences in transactions, asset holdings, and market values.

2. DERIVATIVES REPORT: A statement of derivatives used, detailing notational value and explanation of purpose of the derivative.

3. A STATEMENT OF INVESTMENT PERFORMANCE: Expressed in percentage increase/decrease for the following periods: Month, Year To Date, One Year, Three Years, Five Years, and Since Inception. Comparative statistics for the specific Benchmarks should also be included.

ON A QUARTERLY BASIS, provided no later than ten (10) business days after quarter end:

In addition to the above reports, the following will be completed:

1. A LETTER OF TRANSMITTAL: Addressed to the President of the Fund which includes a narrative about the account performance and all related factors for the quarter, including market outlook and short- and long-term expectations for the account.

2. PERFORMANCE ATTRIBUTION explaining how performance was achieved and explanations of any variance from the benchmark performance for quarter, year-to-date, 1 year (“yr”), and 3 yr periods

3. MINORITY BROKERAGE TEMPLATE in format specified by the Fund

4. COMMISSION DETAILS (e.g., soft dollar, CSA, etc), including brokers, dollar amounts and detail listings of services/products received with commission dollars beyond execution

5. STOCK information regarding new additions or complete eliminations, including rationale behind

the addition (s) or elimination (s)

6. TRANSACTION COST ANALYSIS: Manager's transaction cost analysis, including a copy of any report or service a manager utilizes to measure the quality of its trade execution.

7. A RECORD OF PROXY VOTING: A statement of all proxies voted shall be prepared each quarter.

8. FINANCIAL CHARACTERISTICS of account vs. specific benchmark.

9. NOTIFICATION OF GUIDELINE VIOLATIONS, listed for the quarter along with the related remedy.

10. SUMMARY of ORGANIZATIONAL UPDATES (e.g. changes in personnel, management, ownership, etc)

ON AN ANNUAL BASIS, provided no later than thirty (30) days after calendar year end:

In addition to the above reports, the following will be completed:

1. ORGANIZATIONAL CHART of the account's asset management group

2. BROKERAGE CERTIFICATION: A statement certifying manager's compliance with Section 1-113.2 of the Code and the Fund's minority, women, and disabled persons brokerage goals.

3. YEAR-END GIPS composite(s) of strategy pertaining to account.

4. TOTAL CLIENTS GAINED AND LOST, as well as the assets gained and lost, for the product pertaining to the account for prior calendar year.

5. DISCLOSURE OF CHANGES, if any, to the investment philosophy and investment process (including operations) for the product pertaining to the account.

6. DISCLOSURE OF MANAGERS' E&O and D&O insurance coverage and period of coverage.

7. ETHICS POLICY CERTIFICATION: A statement certifying manager's compliance with the Fund's Ethics Policy.

8. INVESTMENT POLICY STATEMENT CERTIFICATION: A statement certifying manager's compliance with the Fund's Investment Policy Statement.

9. DISCLOSURE OF ROLE OF SUSTAINABILITY FACTORS: A report discussing manager's incorporation of sustainability factors in investment process, citing specific examples.

10. DIVERSITY CHART AND STATEMENT: Completion of diversity chart in format specified by Fund, including statement on efforts being made to increase diversity within firm.

11. Additional reasonable information as requested by the Board or Investment Staff.

ON AN ANNUAL BASIS, provided no later than thirty (30) days after June 30th:

1. INVESTMENT HEADQUARTERS: On an annual basis, as of June 30, investment managers will provide to the Fund a list indicating the Fund's holdings in publicly traded equity and fixed income securities and private equity investments headquartered in Illinois

OFFICE OF THE

Melissa Conyears-Ervin
Treasurer

CITY TREASURER

CITY OF CHICAGO

Translate »

Investment Policy

The Municipal Code of Chicago (the "Municipal Code") authorizes the City Treasurer to invest funds of the City of Chicago (the "City") in certain authorized classes of securities. All persons involved in the investment of public funds in the Office of the City Treasurer (the "Office") are to comply with the Municipal Code provisions relating to the deposit and investment of public funds. The purpose of this Statement of Investment Policy and Guidelines (the "Policy") is to establish cash management and investment guidelines for the Office. This Policy has been prepared in accordance with the Public Funds Investment Act (30 ILCS 235 / 2.5) and the Municipal Code (2-32-515).

1.0 POLICY

The Office is responsible for the management of daily receipt and investment of cash and related accounting operations. The City Treasurer is the Chief Investment Officer of the City and investments may be directed by the City Treasurer, her designee, or outside professional fund managers, in accordance with this Policy. It is the policy of the City Treasurer to invest all funds under the Office's control in a manner that provides the highest investment return using authorized instruments while meeting the City's daily cash flow demands in conformance with the Municipal Code.

2.0 SCOPE OF POLICY

This Policy applies to all investments held within the Office and made on behalf of the City Treasurer with the exception of certain bond funds for which the City may specifically authorize other allowable investments consistent with applicable bond ordinance, trust indenture, the Municipal Code or State law.

3.0 OBJECTIVES

The primary objective in the investment of City funds under control of the City Treasurer is to ensure the safety of principal, while managing liquidity requirements of debt service and other financial obligations of the City, providing the highest investment return using authorized investment instruments, and promoting economic development in the City.

3.1 Safety. The safety of principal is the foremost objective of the investment program. City investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification is required to ensure that the City

Treasurer prudently manages market, interest rate and credit risk. Each inv Translate » se shall be limited to those defined as eligible under the Municipal Code.

3.2 Liquidity. The investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Except as otherwise authorized by the Municipal Code or other applicable law, all investments shall be fully payable as to principal and interest within ten years from the date of purchase.

3.3 Return on Investments. The investment portfolio shall be designed to obtain the highest available return, taking into account the City Treasurer's investment risk constraints and cash flow needs. The City Treasurer shall seek to obtain the highest available return using authorized investments.

3.4 Economic Development and local considerations. The City Treasurer seeks to promote economic development in the City through various programs that provide incentives for community reinvestment and financial assistance.

4.0 PRUDENCE

To accomplish the objectives of the City Treasurer, all authorized persons engaged in the investment process will perform their duties responsibly in accordance with the following standard:

"Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the City and the Board of Education of the City, Policemen's Annuity and Benefit Fund, Firemen's Annuity and Benefit Fund, Municipal Employees' Annuity and Benefit Fund, and Laborers' and Retirement Board Employee's Annuity and Benefit Fund ("Depositors"), that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City and the Depositors."

The standard of prudence to be used by the Office's investment officers shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers shall: (i) act in accordance with written procedures and this Policy, (ii) exercise due diligence, (iii) prepare all reports in a timely fashion, and (iv) exercise appropriate action to control adverse developments.

5.0 OPERATIONAL GUIDELINES

5.1 Particular Fund Investments. The Municipal Code requires that any investments of a particular segregate fund be credited to that fund. Principal and interest shall be credited to the particular segregate fund so invested. The City Treasurer and Comptroller jointly may transfer ownership of any security purchased with monies of a particular segregate fund to the aggregate fund in the City Treasury. The particular segregate fund originally invested shall be credited with the amount of the principal and accrued interest up to the date of the transfer of ownership of such security from the particular segregate fund to the aggregate fund.

5.2 Government Fund Accounting. The City financial record-keeping systei Translate » nd maintained on a fund accounting basis. A Fund is an independent fiscal accounting entity with a separate set of accounting records to record cash and investment activities. Funds are either segregate or aggregate, as determined by law, special regulation or contractual agreement. The Comptroller determines the classification of Funds in either segregate or aggregate category and City Treasurer's records are prepared accordingly.
Funds classified as "segregate" by the Comptroller or the City Treasurer require that separate accounts be established related to all financial resources, investment and payment requirements. Generally, these segregate funds represent financial resources employed for specified governmental projects and are for restricted use. The Office is required and does maintain a cash and investment record of the segregated accounts and has monies available to pay obligations under segregate funds when due. Generally, debt service payments and investments are made through the trust accounts provided for these funds and coordinated by the Office. All other receipts and cash not allocated by law or contractual agreement and used to pay the City's general operating expenses are pooled for investment and classified as aggregate funds. The City Treasurer disburses these operating funds on a daily basis to cover warrants issued by the City Comptroller. The Corporate (General) fund is the aggregate major operating fund of the City. All general tax revenues and ordinary receipts are aggregated into this fund. Disbursements are based on spending plans of the City departments and include items such as employee payroll and health benefit costs and operating expenditures.

5.3 Competitive Bidding: For investment transactions made by the Office, bids/quotes and markups or discounts need to be consistent with prevailing institutional trades at the time of each transaction and are to be compared to market quotations for the same type and maturity investment on the Bloomberg independent market quotation information service or a comparable service available in the Office. In certain exigent circumstances, the Office need not solicit competitive bids. The guiding principle with choosing any bid for any investment transaction made by the Office is the quality of the bid and the assurance that the bidder can complete the investment transaction.

5.4 Sale of Securities: Section 2-32-580 of the Municipal Code provides that

"The comptroller and City Treasurer may sell a security prior to maturity at such price that the comptroller and City Treasurer shall deem advisable including at, above or below the purchase price of the security when in the determination of the comptroller and City Treasurer the sale of the security is necessary to: (1) ensure sufficient amount of money on hand when the balance of cash in the City treasury has for any reason become less than the amount necessary for immediate use; (2) enhance the overall portfolio yield; (3) minimize further erosion and loss of investment principal; or (4) minimize the City's exposure to market and credit risks.
The City Treasurer shall cooperate with the comptroller in the cancellation and reissue of tax warrants sold in such a way that no duplication thereof shall take place."

6.0 ETHICS AND CONFLICT OF INTEREST

It is the policy of the Office and in compliance with Section 2-156-080 of the Municipal Code that no person acting on behalf of the investment function in the Office shall, in any manner, have any interest, either directly or indirectly, in any investments in which the Office is authorized to invest; or receive in any manner, compensation of an Translate » ny investments from the sellers, sponsors or managers of such investments. Investment officers and other staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The City's Governmental Ethics Ordinance, Chapter 2-156 and State law limit the gifts that employees, officials, their spouses, and /or their minor children can accept from persons who have an interest in city business.

7.0 AUTHORIZED BROKER/ DEALERS AND QUALIFIED INSTITUTIONS

The City Treasurer will maintain a list of broker/dealers authorized to provide investment services in the City. In addition, a list will be maintained of approved financial institutions authorized to provide investment services. No public deposits shall be made except in municipal depositories approved by City Council.

Depositories. Section 2-32-400 of the Municipal Code allows only regularly organized state or national banks insured by the Federal Deposit Insurance Corporation ("FDIC") and federal and state savings and loan associations insured by Savings Association Insurance Fund of the FDIC to be designated as possible municipal depositories. Depository institutions should be economically viable and have practices that would not impair the safety of investments.

Broker/Dealer. The Office has a Request for Information (RFI) questionnaire to facilitate annual qualification of each broker/dealer interested in working with the City investments. The Office evaluates interested broker/dealers on the basis of criteria set by the City Treasurer, including the firm's prior experience, financial stability, and other requirements deemed necessary by the Office, the Municipal Code or other applicable government agencies. The Office on an annual basis notifies brokers/dealers of their approval in writing. The City Treasurer maintains relationships with qualified members of the broker/dealer community who understand the permitted investment constraints and goals of the Office. No broker/dealer or financial institution may present investments to the City Treasurer unless it has signed a sworn certification serving as an affidavit that the institution understands the eligible investment securities that can be purchased for the City. Only broker/dealers with offices located in the City are used to transact business for the City investment accounts.

8.0 AUTHORIZED INVESTMENTS

The City Treasurer has authorized the following types of investments subject to the provisions of Section 2-32-520 of the Municipal Code:

1. Interest-bearing general obligations of the United States and the State of Illinois;
2. United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;
3. Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;
4. Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; (2) matures not more than 270 days after the date of purchase;

5. Reverse repurchase agreement (1) if the term does not exceed 90 days (2) an Translate » the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement: and (3) at the time of purchase, the total amount of the reverse repurchase agreement held in all funds does not exceed 5 percent of the total holdings across all funds.. Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided the City has on file a master repurchase agreement;
6. Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit;
7. Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in the AAA or AA rating categories by at least two accredited ratings agencies;
8. Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;
9. Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market funds' portfolios are limited to investments authorized by this section;
10. Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;
11. Except where otherwise restricted or prohibited, a non-interest bearing savings account, non-interest bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the Treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;
12. (1)Bonds of companies organized in the United States with assets exceeding $1,000,000,000 that, at the time of purchase, are rated not less than two ratings above investment grade, or equivalent rating, by at least two accredited ratings agencies. Investments authorized by this subsection (1) shall, at the time of purchase, not exceed 35 percent of the total holdings across all funds (with no more than 35 percent of the total portfolio authorized by this subsection (12)(1) invested in any one market sector, out of a total market sector pool consisting of finance, energy, technology, consumer products, manufacturing, healthcare and transportation), and the maturity shall not exceed 30 years; (2) Bonds authorized by subsection (12)(1) where the principal is guaranteed with underlying assets such as bonds, currencies, and commodities. Bonds authorized by this subsection (1)(2) shall, at the time of purchase, not exceed 5 percent of the total holdings across all funds;
13. Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated within 4 intermediate credit

ratings of the United States sovereign credit rating by at least two accredited ratir Translate » not less than an A- rating, or equivalent rating. Investments authorized by this subsection (13) shall, at the time of purchase, not exceed 10 percent of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years. For purposes of this subsection (13), an "international financial institution" means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;

14. United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A- rating, or equivalent rating. The investments authorized by this subsection (N) shall, at the time of purchase, not exceed five percent of the total holdings across all funds, and the maturity shall not exceed 30 years;
15. Interest-bearing bonds of any country, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the City or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions, The bonds authorized by this subsection shall, at the time of purchase: (1) not have a maturity of more than 30 years from the date of purchase; and (2) not exceed 25 percent of the total holdings across all funds; provided that bonds linked to infrastructure projects shall not exceed 5 percent of the total holdings across all funds
16. Bonds registered and regulated by the Security and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A- rating or above or equivalent rating by at least two accredited ratings agencies. The bonds authorized by this subsection (P) shall, at the time of purchase, not exceed 1 percent of the total holdings across all funds, and the maturity shall not exceed 30 years.
17. Bonds, notes, debentures, or other similar obligations of agencies of the United States rated, at the time of purchase, no less than AAA by at least two accredited rating agencies.
18. Interests in the Chicago Community Catalyst Fund ("CCCF") as established by Section 2-32-625 of the Municipal Code that inure to the benefit of neighborhood economic development while generating returns that are commensurate with the City's overall investment portfolio returns.

(1) For the purposes of this subsection, the following definitions shall apply:

"Annual Limit" shall mean the positive difference, if any, between the actual amount of investment earnings for the prior year on funds in the Corporate Fund not subject to Other Investment Restrictions and the budgeted amount of such investment earnings.

"Eligible Funds" shall mean: (1) any City funds the Treasurer is authorized to invest which are not subject to Other Investment Restrictions as determined jointly by the Comptroller and the Treasurer; and (2) any funds in the Corporate Fund or in the Service Reserve and Concession Fund, in either case which are subject to Other Investment Restrictions but only to the extent permitted by the applicable Other Investment Restrictions. Eligible Funds shall not include any proceeds of City debt obligations or any monies in any City enterprise fund.

"Other Investment Restrictions" shall mean restrictions on eligible investments for City funds pursuant to federal law, state law, City ordinances (other than this section), or existing City contracts as determined jointly by the Comptroller and the Treasurer.

(2) Commencing in 2019, in each year, Eligible Funds may be transferred Translate » om time to time, provided that the aggregate amount of such transfers during a year shall not exceed the Annual Limit for such year.

All securities so purchased, excepting the bond authorized in subsection (15), investments authorized in subsection (18) and the tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the city purchased under subsection (3), shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within 30 years from the date of purchase.

9.0 INVESTMENT RESTRICTIONS

Except as provided in section 8.0, subsection (12)(2), neither the Comptroller nor Treasurer shall have authority, without the approval of the City Council, to (i) invest in financial agreements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities products, or (ii) borrow against or otherwise obligate City investments, other than for purposes of a security lending transaction conducted under section 2-32-575 of the Municipal Code.

10.0 MINIMUM CREDIT QUALITY

Exclusive of investments made pursuant to Section 2-32-520(r), the total holdings across all funds held by the Treasurer shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies.

11.0 COLLATERALIZATION

In order to protect the City public fund deposits, depository institutions are to maintain collateral pledges on City deposits and certificates of deposit during the term of the deposit.

Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit.

Repurchase agreements must also be collateralized in an amount of 102[illegible] Translate » ue of principal and accrued interest. Collateral pledged for repurchase agreements shall be marked to market at least weekly during the term of the agreement. Additional collateral will be required when the ratio falls below the level required.

The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. The final maturity of acceptable collateral pledged shall not exceed 120 months.

12.0 SAFEKEEPING AND CUSTODY

All securities and collateral will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts. Safekeeping will be documented by a written agreement, in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

13.0 DIVERSIFICATION

A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions.

14.0 INTERNAL CONTROLS

The City Treasurer, as the Chief Investment Officer, shall maintain a system of internal controls and written operational procedures that shall be documented. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.
In addition, the City Treasurer has established a system of internal controls to ensure that staff positions and functional duties are adequately segregated for separation of duties between the investment and accounting operations.

These controls shall be tested and reviewed periodically by external auditors during the audit.

15.0 TRAINING

Those persons under the supervision of the Treasurer who are authorized to execute investment transactions shall attend at least one investment training session within twelve (12) months after assuming their duties and shall receive not less than ten (10) hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City's fiscal year following the initial ten (10) hours of instruction and consists of the two consecutive fiscal years after that date. The Treasurer is authorized to engage an independent third party with no preexisting contractual relationship with the Office to provide this training, which shall include education in investment controls, security risks, market risks, diversification of investment portfolio and compliance with applicable laws. Any failure to comply with section 2-32-615 of the Municipal Code shall not invalida Translate » ent transaction undertaken by any person under the supervision of the Treasurer.

16.0 PERFORMANCE EVALUATION

The City Treasurer will utilize the average three-month U.S. Treasury Bill return or other appropriate benchmarks to determine whether market average yields are being achieved.

17.0 TREASURER'S REVIEWS AND REPORTS RESERVED.

1. The treasurer shall conduct a review on a monthly basis of the current total holdings across all funds, including cash positions; portfolios, mark to market valuations; credit quality for each security; and additional compliance issues.
2. The treasurer shall, on or before the first day of February of each year, submit a report to the city council that details the performance of the total holdings across all funds held by the treasurer's office, including asset allocation, cash position and overall credit quality as of December 31 of the preceding year.
3. The treasurer shall, on or before the first day of February of each year, submit a report to the city council on the written investment policy for compliance as of December 31 of the preceding year, and present any recommendations for changes.

18.0 PERIODIC REVIEW

An annual independent audit and review of the Office's books and records will be performed to evaluate the nature of overall portfolio investment activities and to verify invested funds. The independent audit review will also examine procedures and written guidelines and established internal control mechanisms to ensure compliance with the objectives of this Policy.

19.0 MINORITY-OWNED FINANCIAL INSTITUTIONS

When investing or depositing public funds, each custodian for the City Treasurer shall, to the extent permitted by the Public Funds Investment Act (30 ILCS 235) and by the lawful and reasonable performance of his or her custodial duties, invest or deposit such funds with or in minority-owned financial institutions within the City.

20.0 HUMAN RIGHTS

It is the policy of the City Treasurer and in compliance with Section 2-160-030 of the Municipal Code that discrimination on the basis of race, color, religion, age, national origin, gender, sexual orientation, ancestry, disability, marital status, parental status, source of income or military discharge status will not be tolerated.

21.0 POLICY ADOPTION AND AMENDMENT

This Policy may be reviewed from time to time and amended by the City Treasurer and shall be consistent with the provisions of the Municipal Code pertaining to investments. Copies of the written policy and any amendments thereto shall be kept on file with the city clerk and the comptroller, and shall be submitted annually, or if amended, no later than 30 days after such amendment, to the chairman of the city council on finance and the chief investment officer.

Translate »

City Treasurer's Office
City of Chicago
121 North LaSalle Street
City Hall, Room 106
Chicago, Illinois 60602

LABORERS' AND RETIREMENT BOARD EMPLOYEES' ANNUITY AND BENEFIT FUND OF CHICAGO

INVESTMENT POLICY STATEMENT

Adopted March 19, 2019

Table of Contents

INTRODUCTION

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF") is a single-employer, defined benefit public pension fund. The LABF was created in 1935 by virtue of an act of the Illinois General Assembly to provide retirement and disability benefits to its members and their beneficiaries. The LABF is administered in accordance with the Illinois Pension Code (40 ILCS 5/Arts. 1, 1A, 11, 20, and 22) (as amended from time to time, the "Illinois Pension Code"). The LABF is governed by an eight-member Board of Trustees (the "Board").

STATEMENT OF PURPOSE

The purpose of this Investment Policy Statement ("IPS" or "Policy"), including the attached Appendices, is to set forth the Board's investment objectives, policies, and procedures relating to the investment of the LABF's assets in accordance with the Illinois Pension Code. The IPS will define the duties and responsibilities of the Board, acting in a fiduciary capacity, and of all persons or entities acting on the Board's behalf. The objectives, policies, and procedures outlined in this IPS were created as a general framework to guide the management of the LABF. This Policy replaces and supersedes any and all other LABF policies, resolutions, or practices covering the subject of investments, whether written or verbal.

This Policy is intended to comply with the provisions of the Illinois Pension Code. In the event of a conflict between this Investment Policy Statement and the applicable sections of the Illinois Pension Code, the Illinois Pension Code governs.

FIDUCIARY DUTY

Per the Illinois Pension Code, the Board and certain LABF staff members have a fiduciary obligation to the LABF's participants and their beneficiaries. In summary, the provisions of the Illinois Pension Code specifically referring to the definitions, duties, and responsibilities of a fiduciary are:

- a fiduciary is anyone who has discretion in managing pension fund assets or in administering the pension fund, or who renders investment advice for direct or indirect compensation. [40 ILCS 5/1-101.2]
- a fiduciary must discharge its duties to the pension fund for the exclusive purposes of providing benefits to participants and beneficiaries, and defraying reasonable administrative expenses of the pension fund. [40 ILCS 5/1-109(a)]
- a fiduciary must discharge its duties to the pension fund with the same care, skill, prudence and diligence that a prudent person would use in a similar enterprise. [40 ILCS 5/1-109(b)]
- a fiduciary must discharge its duties to the pension fund by diversifying the investments to minimize the risk of large losses, unless prudence dictates otherwise. [40 ILCS 5/1-109(c)]
- a fiduciary must discharge its duties to the pension fund in accordance with Articles 1, 1A and 11 of the Illinois Pension Code. [40 ILCS 5/1-109(d)]
- a fiduciary must not cause the pension fund to engage in prohibited transactions. A fiduciary must not deal with the pension fund's assets for its own interest, or on behalf of any party whose interests are adverse to the pension fund or its participants or beneficiaries. [40 ILCS 5/1-110]

INVESTMENT RELATED AUTORITIES AND RESPONSIBILITIES

The following provides the general scope of the investment-related authorities and responsibilities of each party involved in making investment-related decisions. This IPS is not intended to serve as a comprehensive statement relating to all investment-related matters. The Board reserves the right to limit or extend the terms of this IPS.

Responsibilities of the Board

The Board is responsible for adhering to the requirements of the laws governing the LABF, developing policies for the LABF's administration, and creating goals and objectives. The Board shall:

- Adopt an Investment Policy Statement, amend it as necessary, and monitor its implementation.
- Set investment goals, objectives, and guidelines.
- Diversify the LABF's assets to minimize idiosyncratic risk.
- Select and retain one or more investment consultants and outside legal counsels that will assist the Board and the LABF's investment staff in making investment-related decisions.
- Use available information and resources, including advice from the investment consultants, outside legal counsels, and the LABF's investment staff, to select and retain investment managers and other third-party service providers as needed to assist in the administration and implementation of the investment program.
- On at least a quarterly basis, review total investment portfolio and investment manager performance; on at least an annual basis, review performance of other third-party service providers associated with the investment of LABF's assets.
- Periodically direct the LABF's investment staff and investment consultant(s) to review fees related to investment management, brokerage, foreign exchange, and other third-party services to ensure that the fees paid by the LABF are competitive.
- Initiate an asset/liability study and asset allocation review at least every three to five years.
- Periodically review and update the LABF's Authorized Signatory List authorizing Board-approved staff to sign certain documents on behalf of the LABF.
- Comply with LABF's Ethics Policy and Bylaws.

In accordance with Section 1-109.1 of the Illinois Pension Code, the Board has the authority to delegate fiduciary duties to other parties as it relates to the prudent investment of the LABF's assets.

Responsibilities of the Investment Staff

The Executive Director, as a fiduciary, is appointed to oversee the administration of the LABF and to execute Board policies and other directives as the Board may set. The internal investment staff reports to the Executive Director, who also serves as the Chief Investment Officer (collectively, the "Investment Staff").

The Executive Director, or the Executive Director's designee, has the following responsibilities:

- Communicate with the Board regarding important investment-related matters.
- Monitor investment-related activities to ensure compliance with Board objectives and that the Investment Staff's responsibilities are being carried out prudently.
- Provide recommendations and/or direction to the Investment Staff as necessary.
- Ensure that proper internal and external controls are in place to safeguard the LABF's assets.
- Upon successful negotiations, execute contracts with Board-approved investment service providers.
- Execute contract amendments with existing Board-approved investment service providers; provided that the Executive Director prior to execution informs the Board of amendments that materially alter an existing contractual arrangement.
- Aid the Board in reviewing the performance and conduct of all investment service providers.
- Serve on advisory boards for the LABF's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the LABF, its participants, and their beneficiaries.
- Comply with the LABF's Ethics Policy and Bylaws.

The Investment Staff has the following responsibilities:

- Act as a liaison between the Board and the LABF's external investment managers and investment consultant(s).
- Monitor the performance of the investment portfolio and communicate with the Board concerning investment performance and other matters of importance relating to the investment portfolio.
- Make certain that proper liquidity is in place to cover the LABF's expenditures.
- Work closely with the Board to ensure its goals and objectives are met.
- Ensure that performance reports from the investment managers and investment consultant(s) are received in a timely fashion and provide the information required by the LABF.
- Set up procedures to ensure proper monitoring of investment service providers' compliance with the LABF's policies.
- Comply with the LABF's Ethics Policy and Bylaws.

Responsibilities of the Investment Consultant(s)

The Board may retain one or more investment consultants, acting in a fiduciary capacity, to provide expert advice, counsel, and support to the investment program. The investment consultant(s) shall:

- Aid the Board in determining the most effective investment program and the proper allocation of assets.
- Measure investment performance results, evaluate the investment program, and advise the Board as to the performance and continued appropriateness of each investment.
- Aid the Board and Investment Staff in reviewing other investment-related service providers, such as securities lending agent(s), custodian(s) and transition manager(s).
- Provide the Board and Investment Staff with regular and timely performance reporting including, but not limited to, comprehensive quarterly reports and monthly summary reports, and ensure the accuracy of such reports.
- Recommend modifications to the investment policies, objectives, and guidelines as appropriate.
- Promptly inform the Board and Investment Staff regarding significant matters pertaining to the investment of the LABF's assets.
- Conduct, or assist in conducting, searches for investment managers and other investment-related service providers.
- Ensure proper oversight of investment managers placed on "watch" status by the Board.
- Aid the Board in limiting investment-related expenses.
- Periodically, or as directed by the Board, review all investment management fee structures to confirm that they compare favorably with prevailing industry fees.
- Provide reasonable additional support to the Board and Investment Staff on an as-needed basis.
- Serve on advisory boards for the LABF's investments when appropriate and vote on issues in a manner consistent with its fiduciary duty to the LABF, its participants and their beneficiaries.

Responsibilities of the Investment Manager(s)

The investment manager(s) retained by the LABF shall acknowledge a fiduciary status and shall:

- Comply with all applicable laws, regulations, rulings, and contract documents; and promptly inform the Board, Investment Staff, and the appropriate investment consultant regarding any instance of non-compliance.
- Act as a fiduciary to the LABF in managing the portion of the LABF's assets under its control in accordance with this Policy, the Illinois Pension Code, and the terms of the contract or agreement with the LABF.
- Exercise full investment discretion, within the bounds of this Policy, the Illinois Pension Code, and the contract or agreement with the LABF, with regard to buy, hold, and sell decisions for the assets under management.
- On at least a quarterly basis, reconcile the account's positions with the LABF's master custodian.
- Promptly inform the Board, Investment Staff, and the appropriate investment consultant regarding significant matters pertaining to the investment of the LABF's assets, including, but not limited to, changes in firm ownership, affiliation, organizational structure, key personnel, financial condition, investment strategy, portfolio design, composition of the investment team, and pertinent legal issues, as well as other matters affecting the investment of the assets in accordance with the contract or agreement with the LABF.
- Provide timely reporting to the LABF regarding account activity, performance results (net and gross of fees), and any other information requested by the LABF.
- Comply with the LABF's brokerage policy, as applicable (see: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*).
- Vote proxies on behalf of the LABF, as applicable, in a manner consistent with its fiduciary duty to the LABF.

Responsibilities of the Transition Managers(s)

Transition managers, acting as fiduciaries, are utilized to transition a portfolio of securities as a result of portfolio liquidations, investment manager changes, asset allocation shifts, and portfolio rebalancing. Transition management centralizes the coordination of activities and parties involved with the purpose of eliminating unnecessary transactions, reducing costs, and maintaining market exposure during the transition period. The transition manager is entrusted to prudently manage the process.

The LABF utilizes a pool of approved transition managers and reserves the right to select a transition manager outside of the pool of approved transition managers, as necessary, with the approval of the Board. The LABF may also utilize its master custodian for transition activities when appropriate.

Transition managers will be selected from the pool through a bid process. Once selected, the transition manager(s) retained by the LABF shall:

- Comply with all applicable laws, regulations, rulings, and respective contract documents.
- Act as a fiduciary to the LABF as dictated in the contract documents with the LABF and perform the transition with the utmost care and prudence.
- Act only in an agency capacity at a firm level for all security transactions, unless otherwise agreed upon.
- Coordinate the transition trading activity with the LABF's investment managers (both legacy and target portfolios) and the LABF's custodian.
- Comply with the LABF's brokerage goals, as applicable (see: Appendix E: M/W/DBE Broker-Dealer Utilization Policy).
- Provide a detailed pre-trade analysis report to the Investment Staff before beginning the transition that shall include the timeframe required to achieve the desired objective of liquidating the legacy portfolio(s) and developing and/or funding the target portfolio(s). The pre-trade analysis report should illustrate expected explicit costs (e.g. commissions, taxes, fees, etc.) and implicit costs (e.g. bid-offer spread, market impact, etc.).
- Report to the Investment Staff during the transition period regarding trade activity from commencement of the process to its completion.
- Provide Investment Staff with a post-trade analysis report after the completion of the transition that should include, at a minimum, the actual explicit costs, implicit costs, and full trading/transaction reports.
- Provide any other reasonable information requested by Investment Staff, investment consultant, or the LABF's custodian.

Responsibilities of the Master Custodian(s)

The LABF's master custodian(s) shall:

- Comply with all applicable laws, regulations, rulings, and the custodial agreement with the LABF.
- Hold, safeguard, and, when applicable, accurately price the assets of the LABF.
- Collect interest, dividends, distributions, redemptions, and any other amounts due to the LABF.
- Monitor all necessary investment activity.
- Provide periodic summaries of transactions, asset valuations, and other related reports as deemed appropriate.
- Sweep all residual cash in each account on a daily basis into an investment-grade short-term money market fund, cash vehicle, or cash-equivalent vehicle.
- Perform other services customarily performed by a custodian and as described in the custodial agreement (e.g. foreign exchange, U.S. class action filing, etc.)

Responsibilities of the Securities Lending Agent(s)

The LABF participates in a securities lending program with respect to its separately managed accounts and may have additional securities lending exposure via its commingled fund investments. The purpose of the securities lending program is to provide incremental income by lending securities to qualified borrowers.

The LABF's securities lending agent(s) shall:

- Comply with all applicable laws, regulations, rulings, and contract documents.
- Limit loan periods to a maximum of one year.
- Perform appropriate due diligence on borrowers.
- Ensure that adequate collateral is provided to the LABF for the securities that are lent and that the income generated by the securities lending program is fair and reasonable.
- Make every reasonable attempt to recall securities on loan before any transactions involving the lent securities settle.

- Manage the investment of cash collateral in a manner consistent with the guidelines agreed to by contract and consistent with the risk/return characteristics of the LABF with the predominant focus being capital preservation.
- Provide necessary reporting on a periodic basis (usually monthly or quarterly) to Investment Staff, investment consultant(s), and the LABF's custodian.

Responsibilities of Outside Legal Counsel(s)

As it pertains to investment-related matters, the Board's outside legal counsel has the following responsibilities:

- Proactively provide the Board and Investment Staff with advice regarding compliance with applicable laws and regulations.
- Review and provide advice with respect to investment management agreements, limited partnership agreements, side letters, and other contractual agreements with investment managers.
- Review and provide advice with respect to contracts with investment service providers.
- Provide assistance on an as-needed basis with respect to any other legal matters related to investments.

Responsibilities of the City Treasurer

The Treasurer of the City of Chicago shall be *ex-officio* treasurer and custodian of the LABF. The Board may supplement the Treasurer's responsibility by utilizing the services of a master custodian, or another custodian for a specific investment, for the safekeeping of cash and securities.

RISK MANAGEMENT

All investment decisions have a risk component. The Board, with assistance from the Investment Staff and its investment consultant(s), shall determine an appropriate risk level for the LABF. Determining the risk tolerance level shall serve as the first step in crafting an appropriate target asset allocation, setting investment goals and objectives, and making other investment-related decisions. Understanding that risks evolve over time based on a number of factors including, but not limited to, changes in the market environment and the LABF's financial situation, the Investment Staff and investment consultant(s) shall monitor risks and report any material changes in the LABF's overall risk profile to the Board.

INVESTMENT GOALS AND OBJECTIVES

The Board sets the goals and objectives of the investment portfolio solely in the interest of the LABF's participants and their beneficiaries. The performance objectives of the investment program are threefold:

1. Meet or exceed the actuarial return assumption (see Appendix B: Assumed Investment Rate of Return and Policy Benchmark), net-of-fees, over time with a level of risk deemed appropriate by the Board while maintaining liquidity sufficient to cover benefit payments and other financial obligations.

2. Outperform the policy benchmark (see Appendix B: Assumed Investment Rate of Return and Policy Benchmark), net of fees, on a risk-adjusted basis over a market cycle (typically a three- to five-year period).

3. Rank in at least the top half of the peer universe of comparable institutional investors with similar risk/return parameters consistently over time.

PORTFOLIO EVALUATION AND REPORTING

The investment consultant(s) and Investment Staff will evaluate the investment portfolio on, at least, a quarterly basis. The investment consultant(s) and Investment Staff will meet with the various investment managers and the Board on a regular basis to review any changes to the investment guidelines and to analyze the investment performance and structure of the investment program.

Investment Manager Performance Goals and Objectives:

- Each investment manager is expected to outperform the agreed-upon benchmark, net-of-fees, on a risk-adjusted basis over a market cycle (typically a three- to five-year period).
- The total net-of-fees return for the mandate should rank above the median within the respective peer universe.
- The investment manager shall attempt to achieve its return objectives while maintaining an appropriate level of risk as specified in the investment manager's guidelines.

The investment consultant(s) and or Investment Staff will promptly review with the Board any material shortfall in performance relative to the performance objectives.

The investment managers shall also provide written reports to the Board, Investment Staff, and investment consultant(s) on a quarterly basis. An investment manager's quarterly reports shall typically include:

- Portfolio and market commentary/outlook
- Organizational updates (e.g. changes in personnel, management, ownership, etc.)
- Market value of investments
- List of all client-directed cash flows in and out of the account since inception (i.e. allocations to and redemptions from the LABF's account)
- Gross and net-of-fees performance versus the benchmark for the most recent quarterly, year-to-date and relevant longer-term periods
- Calendar year returns (net of fees) versus the benchmark for all periods since inception
- Attribution analysis
- Investment fees for quarterly, year-to-date and inception-to-date periods
- If applicable, brokerage activity data for quarterly and year-to-date periods
- If applicable, capital account statement for quarterly, year-to-date and inception-to-date periods
- Additional reasonable information as requested by the Board, Investment Staff, or investment consultant

INVESTMENT MANAGER WATCH LIST

When evaluating an investment manager, the Board utilizes a "watch list" process to identify managers that require closer monitoring. Circumstances that may trigger the Board to place a manager on watch include:

- Poor performance of account relative to stated goals and objectives over a market cycle (typically a three- to five-year period)
- Material violations of the investment guidelines
- Failure to comply with the terms of the contract or agreement with the LABF
- Sale or merger of the investment management firm
- Changes in key personnel
- Material changes in investment philosophy, process, or style
- Legal or regulatory action taken against the investment management firm
- Unsatisfactory client service
- Noncompliance with the Board's M/W/DBE Broker-Dealer Utilization Policy (See: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy)*

While on watch, investment managers may be required to meet with the Board and submit regular status reports. Removal from the watch list usually results from either the manager resolving the issue(s) that led to it being placed on watch or the Board deciding to terminate the account.

The Board will evaluate investment managers placed on watch for performance-related issues based on the manager's risk-adjusted performance versus their stated benchmark. Investment managers will also be evaluated versus the appropriate peer universe and are expected to maintain net-of-fees performance above the peer median for three- and five-year time periods.

Understanding that every situation is unique, the Investment Staff and investment consultant may recommend to the Board additional criteria and a reasonable period over which to evaluate an investment manager while on the watch list.

INVESTMENT GUIDELINES

The Board retains external investment managers to implement the target asset allocation. The investment guidelines for a separate account are set at the time the Board retains the manager and are included in the contract or agreement between the LABF and the investment manager. The Board and the investment manager may amend the guidelines in writing. No deviation from the investment guidelines and objectives established in the contract or agreement between the LABF and the investment manager shall occur unless agreed to in writing by the LABF. Each investment manager must immediately inform the Board, Investment Staff, and the appropriate investment consultant in writing regarding any deviation from the guidelines in the contract or agreement, as well as any material changes in investment strategy or portfolio structure.

INVESTMENT MANAGER AND INVESTMENT CONSULTANT SEARCH PROCESS

With respect to an investment manager or investment consultant search, the Board will follow the procedures identified in *Appendix C: Procurement Policy for Investment Advisers and Consultants.*

In accordance with Illinois Pension Code (40 ILCS 5/1-109.1), the Board has adopted a policy setting forth goals for utilization of investment management firms that are businesses owned by minorities, women, and persons with disabilities. The Board's policy is included in *Appendix D: M/W/DBE / Emerging Investment Manager Utilization Policy*.

In consideration of Section 1A-108.5 of the Illinois Pension Code (40 ILCS 5/1A-108.5) encouraging pension funds to promote the economy of the State of Illinois through the use of economic opportunity investments, the LABF will consider such investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

ASSET ALLOCATION

The Board shall maintain an appropriate asset allocation. The current target asset allocation is included in this Policy as *Appendix A: Target Asset Allocation.* The Board, Investment Staff, and investment consultant(s) will review the asset allocation at least annually and consider changes as deemed prudent.

Although it is the Board's intention to maintain an allocation within the long-term allocation target ranges, the Board may choose to allow the actual allocation to remain outside the target range if it believes market conditions warrant doing so. The Board recognizes that certain allocations are illiquid in nature (e.g. private equity, real estate, etc.) and may remain outside the target allocation range for extended periods of time.

In implementing the target asset allocation, the Board may utilize both active and passive management. Active management is utilized in an attempt to exceed the performance of a certain index by a mutually agreed upon level, net of fees. Passive management is utilized to mimic the performance of a specific index. Active management is generally more expensive than passive management. Therefore, the Board utilizes active management when it believes there is inefficiency in the market or there is a reasonable probability of achieving a net-of-fees return premium over the associated index. Assets may be held in commingled funds or separate accounts.

LIQUIDITY NEEDS AND PORTFOLIO REBALANCING

The Board delegates to the Executive Director the authority to liquidate assets, as necessary, to cover benefit payments and other financial obligations, including capital calls pertaining to certain closed-ended investment funds. Liquidity will be primarily drawn from asset classes that exceed their respective allocation targets to help move the LABF's overall asset allocation closer to target allocations specified in *Appendix A.* The Executive Director will report such liquidity events to the Board.

Additionally, due to fluctuations in asset values, the investment portfolio may need to be rebalanced occasionally by shifting assets from one asset class or investment account to another in order to maintain asset allocations that are in line with the approved target ranges. In these instances, the investment consultant and Investment Staff will bring a rebalancing plan to the Board for its approval. Upon approval by the Board, the Investment Staff will work to transition the assets.

CORPORATE GOVERNANCE

Proxy Voting

The LABF delegates the responsibility of voting proxies to the investment manager who purchased the security on its behalf. Each investment manager shall have full discretionary authority to vote the proxies. As fiduciaries, investment managers shall exercise voting rights solely in the best interest of LABF, its participants and their beneficiaries. In fulfilling its obligation, the manager will act in a manner deemed to be prudent and diligent, and which is intended to enhance the economic value of the underlying security held.

On an annual basis (by January 31st of each year), each investment manager shall provide the Investment Staff with a copy of the manager's proxy voting policy and a written report detailing each proxy vote made during the prior calendar year.

Securities Litigation (Class Actions) Policy

The LABF monitors pending and potential securities litigation cases and participates as appropriate to protect its members' interests.

Monitoring and reporting of potential litigation is carried out by the LABF's outside securities litigation firms. The firms may make recommendations to the LABF and to the LABF's legal counsel(s) in situations where explicit legal action may be taken by the LABF, such as petitioning for status as a lead plaintiff in a class action lawsuit, bringing a derivative action against a corporation, or participating in any form of collective litigation related to securities purchased or sold outside of the United States. Depending on the merits of the recommendation, the matter will be referred to the Board for consideration. Board approval is required before such action can be taken.

The LABF utilizes class action claim filing services offered by the master custodian. The master custodian will pursue the LABF's interest through the claim process and will complete the appropriate forms and provide the proper supporting documents to protect the LABF's claims. The LABF's master custodian will provide periodic reporting related to the pending and settled class action litigation in which the LABF has an interest.

BOARD AUTHORITY TO IMPOSE INVESTMENT RESTRICTIONS

From time-to-time, the Board may establish certain investment restrictions at the overall LABF level that shall be instituted in addition to mandate-specific restrictions found in individual investment manager contracts. Subject to an investment manager's exercise of fiduciary duties, the investment manager shall comply with such restrictions. See *Appendix F: Restrictions on Investment* for a current list of such restrictions.

AMENDMENTS TO THE INVESTMENT POLICY STATEMENT

The Board may amend this Investment Policy Statement at any time. If changes are made to the Investment Policy Statement, the Board shall file a copy of the new policy with the Illinois Department of Insurance within 30 days as specified in the Illinois Pension Code. [40 ILCS 5/1-113.6]

APPENDICES

APPENDIX A. TARGET ASSET ALLOCATION

	Minimum	Target	Maximum
Fixed Income:			
Core U.S. Fixed Income	5.0%	10.0%	15.0%
Liquid Opportunistic Credit	2.0%	7.0%	12.0%
Emerging Markets Debt	0.0%	3.0%	6.0%
Total Fixed Income	**15.0%**	**16.0%**	**25.0%**
Equity:			
U.S. Large Cap	11.0%	16.0%	21.0%
U.S. Small/Mid Cap	4.0%	9.0%	14.0%
International Developed Markets Large Cap	5.0%	10.0%	15.0%
International Developed Markets Small Cap	0.0%	5.0%	10.0%
Emerging Markets	0.0%	5.0%	10.0%
Global Equity	0.0%	5.0%	10.0%
Total Equity	**40.0%**	**54.0%**	**60.0%**
Alternatives			
Real Estate	5.0%	10.0%	15.0%
Private Real Assets	0.0%	3.0%	6.0%
Private Equity	1.0%	4.0%	7.0%
Private Debt	0.0%	3.0%	6.0%
Hedge Funds	5.0%	10.0%	15.0%
Total Alternatives	**20.0%**	**30.0%**	**40.0%**

Adopted October 5, 2017

APPENDIX B. ASSUMED INVESTMENT RATE OF RETURN AND POLICY BENCHMARK

ASSUMED INVESTMENT RATE OF RETURN

Effective January 1, 2018

7.25%

POLICY BENCHMARK

Adopted October 5, 2017
Effective November 1, 2018

10%	Barclays Capital U.S. Aggregate Index (Fixed Income)
03%	JPM GBI-EM Global Diversified Index (Fixed Income)
07%	50% Barclays High Yield/50% CSFB Leveraged Loan Index (Fixed Income)
16%	S&P 500 Index (U.S. Equity)
09%	Russell 2500 Index (U.S. Equity)
10%	MSCI EAFE (Non-U.S. Equity)
05%	MSCI EAFE Small Cap Index (Non-U.S. Equity)
03%	MSCI Emerging Markets Index (Non-U.S. Equity)
02%	MSCI Emerging Markets Small Cap Index (Non-U.S. Equity)
05%	MSCI ACWI Minimum Volatility (Global Equity)
03%	Credit Suisse FB Leveraged Loan Index (Private Debt)
03%	LIBOR + 4% (Infrastructure)
05%	HFRI Equity Hedge (Hedge Funds)
05%	HFRI Equity Relative Value Index (Hedge Funds)
04%	Cambridge All Private Equity (Private Equity)
05%	NCREIF ODCE (Real Estate)
05%	NCREIF Property Index (Real Estate)

APPENDIX C. PROCUREMENT POLICY FOR INVESTMENT ADVISERS AND CONSULTANTS

A. Introduction

The Board of Trustees ("Board") of the Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ("LABF") establishes the following Procurement Policy ("Policy") so that decisions to procure investment services from an investment adviser/manager or investment consultant will be made based on the principles of competitive selection, full disclosure, objective evaluation, and proper documentation. This Policy is not meant to limit the Board's right to modify current mandates or rebalance the LABF portfolio when prudent.

Pursuant to Section 1-113.14(b) of the Illinois Pension Code, contracts for investment services shall be awarded by the Board using a competitive process that is substantially similar to the process required for the procurement of professional and artistic services under Article 35 of the Illinois Procurement Code (30 ILCS 500/35 et seq.). Exceptions to this requirement are allowed for:

1. Sole source procurements;
2. Emergency procurements;
3. At the discretion of the Board, contracts having a value of less than $20,000 that are nonrenewable and one year or less in duration; and
4. At the discretion of the Board, contracts for follow-on funds with the same fund sponsor through closed-end funds.

All exceptions granted shall be published on LABF's website and shall include a brief explanation of the reason for the exception.

B. Competitive Search Procedures for Investment Advisers

1. Search Initiation

   a. The Board shall approve a search for an investment adviser and the parameters of the search.
   b. Uniform documents shall be used for the solicitation, evaluation, and hiring of investment advisers. Such documents shall include the requirements set forth in the Illinois Pension Code, including, but not limited to Section 1-113.14(c).
   c. Notice of an investment adviser search shall be published on LABF's website in the form of a Request for Proposals ("RFP") at least 14 calendar days before the RFP responses are due.

2. Search Documents. At a minimum, RFP documents shall contain the following:

   a. Scope of services.
   b. Disclosure of the Quiet Period.
   c. Amount of assets expected to be awarded.
   d. Date by which responses to the search shall be submitted.
   e. Description of the necessary qualifications.
   f. Evaluation factors.
   g. Copy of LABF's Investment Policy Statement, with notice that such Policy is subject to change.
   h. Copy of LABF's Ethics Policy.
   i. Requirement that the response to the RFP shall contain all required disclosures, as applicable, set forth in Sections 1-113.14(c) and 1-113.21 of the Illinois Pension Code.
   j. Statement that contingent and placement fees are prohibited.

k. Statement that RFP responses are subject to the Illinois Freedom of Information Act (5 ILCS 140).
l. Delivery method of the RFP response.

3. Evaluation of Responses to the RFP. Responses will be evaluated initially by LABF Investment Staff and/or the investment consultant based, in general, on the following evaluation factors:

   a. Firm stability – including: legal structure, ownership, profitability, sufficiency of assets under management to sustain business, product offering diversity, capital flows, growth trends.
   b. Team – including: tenure, experience working together, employment contracts, incentive structure, size of portfolio manager investment in the portfolios they manage, team member interviews, signs of problems (attrition, employee turnover, etc.).
   c. Strategy/process – including: security screening process, portfolio construction methodology, style drift, decision making process, sell discipline.
   d. Performance – including: consistency of returns, risk adjusted returns, consistency with regard to components adding alpha, risk levels, net-of-fees performance relative to benchmarks and peers.
   e. Compliance – trading restrictions, auditors, technology infrastructure, security, disaster recovery, legal/regulatory.
   f. Client servicing – team assigned, proper communication, responsiveness, accuracy.

The LABF investment staff and/or the investment consultant will identify to the Board the investment advisers that do not meet the minimum requirements as specified in the RFP, if any, and the investment advisors that are believed to be the most qualified, providing a basis for each determination. The Board will select the finalist(s) that will be invited to make a presentation to the Board.

4. Diverse Investment Advisers.
   a. For the purposes of this section, "emerging investment manager" means a qualified Investment Adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a Minority-Owned Business, Women-Owned Business, or Business Owned by a Person with a Disability, as those terms are defined in the Business Enterprise for Minorities, Women and Persons with Disabilities Act, 30 ILCS 575/2.

   b. For purposes of this section, "minority investment manager" means a qualified Investment Adviser that manages an investment portfolio and is a Minority-Owned Business, Women-Owned Business, or Business Owned by a Person with a Disability, as those terms are defined in the Business Enterprise for Minorities, Women and Persons with Disabilities Act, 30 ILCS 575/2, (collectively, "Diverse Investment Advisers").

   c. The LABF makes every attempt to establish search criteria that encourage Diverse Investment Advisers to submit responses.

   d. In accordance with Sections 1-109.1 (4) and (9) of the Illinois Pension Code,40 ILCS 5/1-109.1 (4) and (9), if one or more Diverse Investment Advisors meet the criteria established by the Board for a search, the Board shall invite the most qualified firm or firms to make a presentation to the Board for consideration for a contract.

   e. The Board shall verify the Investment Adviser's status as a Minority Owned Business, Women Owned Business, or Business Owned by a Person with a Disability.

5. Quiet Period. There shall be a quiet period to ensure that: prospective investment advisers have equal access to information regarding the search; communications related to the selection are consistent and accurate; and the process of selecting an investment adviser is efficient, diligent, and fair.
   The quiet period shall commence upon the Board's authorization of a search and end upon either the completion of all contracts or agreements associated with the search or cancellation of the search. During the quiet period, members of the Board and the LABF investment staff shall not knowingly communicate

with any party financially interested in any prospective contract or agreement with the LABF regarding the contract or agreement, the services to be provided, or the selection process; however, the quiet period does not apply to communications that are:

a. part of the process described in the RFP documents;
b. part of a scheduled Board meeting;
c. related to services currently provided by the prospective investment adviser under an existing contract or agreement with the LABF; or
d. incidental or do not involve LABF or its investments.

Further, during the quiet period, Board members, LABF investment staff, or LABF investment consultant, shall not accept meals, travel, lodging, entertainment, or any other good or service of value from any candidate or from any firm that is reasonably known to be interested in being a candidate.

6. Presentations. One or more finalists will be invited to make a presentation to and interview with the Board at a scheduled Board meeting. The Board may, at its own discretion, require one or more finalists to supply additional information, make subsequent presentations, and/or attend subsequent interviews prior to awarding a contract.

7. Award of Contract

   a. The Board shall determine which investment adviser(s), if any, will be awarded the contract and the amount of assets to be awarded.
   b. The Board and its agents shall negotiate the terms of any contract or agreements with the investment adviser(s).
   c. Nothing shall prohibit the Board from making a selection that in the Board's judgment represents the best value based on qualifications, fees, and other relevant factors established for the search being considered.

8. Notice of Contract. Following the execution of the contract(s), the Board's decision shall be posted on the LABF's website. Such notice shall include the name of the investment adviser(s) awarded a mandate, the total amount of the mandate, the basis for determining the total fees to be paid, and a disclosure describing the factors that contributed to the selection of the investment adviser.

C. **Competitive Search Procedures for Investment Consultant.**

The search procedures for an investment consultant shall mirror the search procedures for an investment adviser as specified above in all material respects, with the following exceptions:

a. The responsibilities of the investment consultant with respect to a search for investment adviser shall be assumed by LABF Investment Staff with respect to a search for investment consultant.

b. The LABF shall not enter into a contract with an investment consultant that exceeds five (5) years in duration. No contract to provide consulting services may be renewed or extended. At the end of the term of a contract, however, the investment consultant is eligible to compete for a new contract as provided in this section.

APPENDIX D. M/W/DBE / EMERGING INVESTMENT MANAGER UTILIZATION POLICY

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ('LABF") is committed to providing opportunities for minority owned business entities, women owned business entities, and business entities owned by a person with a disability as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/2).

Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(4)), the LABF Board of Trustees has adopted the following minimum goals for the utilization of Emerging Investment Managers.

Goals for the Utilization of Emerging Investment Managers:

By Ownership:

Investment Manager Classification	As a Percentage of Total LABF Assets
Minority Owned Business Entity	13% to 15%
Women Owned Business Entity	2% to 4%
Disabled Owned Business Entity	Best Efforts

By Asset Class:

Asset Class	As a Percentage of Total Asset Class
Equity	18% to 20%
Fixed Income	7% to 9%
Alternatives	11% to 16%

40 ILCS 5/1-109.1(4) defines "emerging investment manager" as a "qualified investment adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a "minority-owned business", "women-owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act."

Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(9)), beginning February 1, 2015, the LABF Board of Trustees has also adopted the following policy setting minimum goals for the utilization of Minority Investment Managers.

Goals for the Utilization of Minority Investment Managers by Classification:

Investment Manager Classification	As a Percentage of Total LABF Assets
Minority Owned Business Entity	15% to 23%
Women Owned Business Entity	2% to 5%
Disabled Owned Business Entity	Best Efforts

40 ILCS 5/1-109.1(9) defines "minority investment manager" as "a qualified investment manager that manages an investment portfolio and meets the definition of "minority-owned business", "women-owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act."

These goals will be reviewed annually.

Pursuant to Illinois Pension Code (40 ILCS 5/1-109.1(10)), beginning January 1, 2016, it shall be the aspirational goal for LABF:

- to use emerging investment managers for not less than 20% of the total funds under management.
- that not less than 20% of investment advisers be minorities, women, and persons with disabilities.

Adopted November 17, 2009
Last amended March 19, 2019.

APPENDIX E. M/W/DBE BROKER-DEALER UTILIZATION POLICY

The Laborers' and Retirement Board Employees' Annuity and Benefit Fund of Chicago ('LABF") is committed to providing opportunities for minority owned business entities, women owned business entities, and business entities owned by a person with a disability as defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575/2).

Pursuant to the Illinois Pension Code (40 ILCS 5/1-109.1(7)), LABF Board of Trustees (the "Board") adopted the following M/W/DBE broker-dealer utilization policy. Where specific minority broker-dealer utilization goals are not set or do not apply, the Board encourages the investment managers to make a best-efforts attempt to utilize minority broker-dealers.

Investment managers of separately managed accounts, subject to best execution and their fiduciary duty to LABF in the management of LABF assets, shall make a best effort to adhere to the following minimum M/W/DBE broker-dealer utilization goals:

Asset Class	As a Percentage of Total Commissions
Domestic Equity (Large, Mid, and Small Cap Equity)	40%
Global Equity	30%
International Equity	20%
International Equity – Small Cap	10%
Emerging Markets Equity	10%
	As a Percentage of Total Par Value Traded
Fixed Income	25%

Investment managers shall not utilize indirect methods, such as "step-out" commissions, to achieve these goals. Therefore, to meet LABF's M/W/DBE goals, all trades must be executed directly with the M/W/DBE broker-dealers.

In consideration of Section 1A-108.5 of the Illinois Pension Code (40 ILCS 5/1A-108.5), the Board encourages the utilization of qualified broker-dealers that have an office in Chicago or within the State of Illinois.

Each investment manager shall submit a compliance report to LABF on a quarterly basis in a format as reasonably requested by LABF. LABF investment staff will report to the Board annually on the utilization of M/W/DBE broker-dealers. If an investment manager fails to comply with the above guidelines on a calendar basis, they may be asked to appear before the Board and explain why they were unable to achieve the M/W/DBE utilization goals. Failure by an investment manager to meet the M/W/DBE brokerage goals will be considered a factor when evaluating overall performance of the investment manager.

This policy will be reviewed annually.

Adopted December 17, 2002
Last amended March 19, 2019

APPENDIX F. RESTRICTIONS ON INVESTMENT

The restrictions set forth below apply to separate accounts holding publicly traded equity and fixed-income securities. With respect to all other investments, the Board strongly encourages adherence to these restrictions.

Unless the LABF provides its investment managers with a list of specifically restricted investments, it shall be the responsibility of the investment manager to determine a reasonable basis by which to identify such restricted investments and make a reasonable effort to adhere to such restrictions.

List of current restrictions:

Assault Weapon Manufacturer
Adopted February 18, 2014

Subject to an investment manager's exercise of fiduciary duties, investment managers should refrain from purchasing or holding securities of an assault weapon manufacturer if the manager determines that the same investment goals concerning risk, return, and diversification can be achieved through the purchase or holding of another security.

For the purposes of this policy, "assault weapon manufacturer" shall mean any entity that manufactures prohibited assault weapons for civilian use. "Prohibited assault weapon" shall have the same meaning as the term "assault weapon" in the Municipal Code of Chicago.

These Assault Weapon Manufacturer restrictions shall expire, by their terms, on May 31, 2020, unless extended by further Board action.

MUNICIPAL EMPLOYEES', OFFICERS' AND OFFICIALS' ANNUITY AND BENEFIT FUND OF CHICAGO

A PENSION TRUST FUND OF THE CITY OF CHICAGO

INVESTMENT POLICY STATEMENT

MEABF
CHICAGO

Adopted by the Board of Trustees
April 22, 2014

Amended July 1, 2019

Table of Contents

INTRODUCTION

The Retirement Board of the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago (the "Board") adopted this Investment Policy Statement on April 22, 2014. The Board expects to review this Investment Policy Statement at least annually.

The Municipal Employees', Officers' and Officials' Annuity & Benefit Fund of Chicago (the "Fund") is a single-employer defined benefit public pension fund. The Fund was created in 1922 by virtue of an Act of the State of Illinois Legislature. The Fund is administered in accordance with Illinois Pension Code, Chapter 40, Act 5, Articles 1, 8 and 20. The complete text that governs the Fund can be reviewed on the State of Illinois' website (www.state.il.us.) This Investment Policy Statement applies solely to the Fund's investment assets.

MISSION STATEMENT

The Board has established the following mission:

Our mission is to provide benefits for our members, and our goals are to provide excellent service and preserve the fiscal integrity and financial stability of the Fund.

STATEMENT OF PURPOSE

The purpose of this document and its attached appendices is to set forth the Board's investment objectives and procedures relating to the investment of Fund's assets in accordance with the Illinois Pension Code and to define the duties and responsibilities of the Board, acting in a fiduciary capacity, and all agents acting on the Board's behalf.

The provisions of the Illinois Pension Code specifically referring to the definitions, duties and responsibilities of a fiduciary include (in condensed form):

- a fiduciary is anyone who has discretion in managing pension fund assets or in administering the pension fund, or who renders investment advice for direct or indirect compensation. [40 ILCS 5/1-101.2.]
- a fiduciary must discharge its duties to the pension fund for the exclusive purposes of providing benefits to participants and beneficiaries, and defraying administrative expenses of the pension fund. [40 ILCS 5/1-109(a).]
- a fiduciary must discharge its duties to the pension fund with the same care, skill, prudence and diligence that a prudent person would use in a similar enterprise. [40 ILCS 5/1-109(b).]
- a fiduciary must discharge its duties to the pension fund by diversifying the investments to minimize the risk of large losses, unless prudence dictates otherwise. [40 ILCS 5/1-109(c).]
- a fiduciary must discharge its duties to the pension fund in accordance with Articles 1 and 8 of the Illinois Pension Code. [40 ILCS 5/1-109(d).]
- a fiduciary must not cause the pension fund to engage in prohibited transactions. A fiduciary must not deal with the pension fund's assets for its own interest, or on behalf of any party whose interests are adverse to the pension fund or its participants or beneficiaries. [40ILCS 5/1-110(b)(3)]

The Investment Policy Statement is intended to comply with the provisions of the Illinois Pension Code. In the event of a conflict between the Investment Policy Statement and the Illinois Pension Code, the Illinois Pension Code governs.

DELEGATION OF RESPONSIBILITIES

In accordance with the Illinois Pension Code [40 ILCS 5/1-109.1], the Board has the ability to delegate fiduciary duties to other parties as it relates to the prudent investment of Fund assets. The following is a description of the primary investment-related responsibilities of those parties. This summary is meant to serve as a guide and a communication aid for the parties with responsibilities related to the Fund's investment program.

Responsibilities of the Board

The Board is responsible for carrying out the requirements of the law governing the Fund, developing policies for Fund administration and creating goals and objectives for the exclusive benefit of the Fund, its participants and their beneficiaries. The Board shall:

- Adopt an Investment Policy Statement and monitor the implementation of the Investment Policy Statement.
- Adopt necessary ancillary directives to augment the Investment Policy Statement.
- Set investment goals, objectives and guidelines.
- Diversify Fund assets to minimize non-systematic risk.
- Select and retain investment consultant(s) and outside legal counsel(s) that will assist the Board and the Fund's investment staff in making investment-related decisions.
- Use available information and resources, including advice from the investment consultant(s), outside legal counsel(s) and the Fund's investment staff, to select and retain investment managers and other professionals as needed to assist in the administration and implementation of the Fund's investment program.
- On a quarterly or other periodic basis, review asset allocation, investment manager performance and the conduct of all professionals associated with the investment of Fund assets.
- Defray reasonable expenses.
- Initiate an asset/liability study and asset allocation review at least every three to five years.
- Periodically review and update the Fund's Signature Resolution authorizing Board-approved staff members to sign certain documents on behalf of the Board.

All authority related to the Board shall be exercised solely by the Board as a whole and not by an individual Board member.

Responsibilities of Fund Staff

The Executive Director is appointed to oversee the administration of the Fund (Benefits, Investments, Accounting, etc.) and to execute Board policy and other directives as the Board may set. The internal investment staff reports to the Chief Investment Officer (collectively, the "Investment Staff") who in turn reports to the Executive Director and the Board.

The Executive Director has the following responsibilities:

- Communicate with the Board regarding important investment-related matters.
- Monitor the activities of the Investment Staff to ensure compliance with Board objectives and that the Investment Staff's responsibilities are being carried out prudently; provide recommendations and/or direction to the Investment Staff as necessary.
- Ensure that proper controls are in place to safeguard Fund assets.
- After keeping the Board apprised of material issues arising throughout the contract negotiation process and upon successful negotiations, execute contracts with Board-approved investment service providers and report to the Board regarding the execution of such contracts at the Board's next regularly scheduled meeting. In the Executive Director's absence, the Chief Investment Officer shall have this responsibility.
- Execute routine contract amendments (i.e. amendments that do materially alter the contractual arrangement) with existing Board-approved investment service providers and report to the Board regarding such amendments at the Board's next regularly scheduled meeting. In the Executive Director's absence, the Chief Investment Officer shall have this responsibility.

The Investment Staff has the following responsibilities:

- Act as a liaison between the Board and the Fund's external investment managers.
- Monitor the performance of the investment portfolio.
- Make certain that proper liquidity is in place to cover pension benefits and other financial obligations.
- Ensure that investment activity is properly recorded to the Fund's account ledger in a timely fashion.
- Work closely with the Board to ensure goals and objectives are met.
- Ensure that performance reports from the investment managers are received in a timely fashion and are an accurate reflection of performance.

- Communicate with the Board concerning investment performance and other matters of importance relating to the Fund's investment portfolio.
- Serve on limited partnership advisory boards for the Fund's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the Fund, its participants and their beneficiaries.
- Review and approve annual compliance reports supplied by investment managers (see: *Appendix G: Form of Investment Manager Annual Compliance Certificate*).

Responsibilities of the Investment Consultant(s)

Independent investment consultants are retained by the Board to provide expert advice, counsel and support as it relates to the Fund's investment program. The investment consultant(s) shall:

- Provide advice that aids the Board in determining the most effective investment program and the proper allocation of assets.
- Measure investment performance results, evaluate the investment program and advise the Board as to the performance and continued appropriateness of each investment manager.
- Provide the Board and Investment Staff with regular performance reporting including, but not limited to, comprehensive quarterly reports and monthly summary reports.
- Recommend modifications to the investment policies, objectives and guidelines as appropriate.
- Promptly inform the Board and Investment Staff regarding significant matters pertaining to the investment of Fund assets.
- Conduct, or assist in conducting, searches for investment managers and other investment-related service providers.
- Provide reasonable additional support to the Board and Investment Staff on an as-needed or project-specific basis in accordance with the Board's procurement policies.
- Serve on advisory boards for the Fund's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the Fund, its participants and their beneficiaries.

Responsibilities of the Investment Manager(s)

The investment manager(s) hired by the Fund shall:

- Comply with all applicable laws, regulations, rulings and contract documents; promptly inform the Board, Investment Staff and investment consultant regarding any instance of non-compliance.
- Manage the portion of the Fund's assets under its control in accordance with the policy objectives and guidelines established by contract.
- Exercise full investment discretion within the established policies and guidelines with regard to buy, hold and sell decisions for the assets under management.
- On at least a quarterly basis, reconcile the account's positions with the Fund's custodian.
- Promptly inform the Board, Investment Staff and investment consultant regarding significant matters pertaining to the investment of the Fund's assets, including, but not limited to, changes in ownership, organizational structure, investment strategy, portfolio design, composition of the investment team and legal issues. The Fund should receive notice within five business days of such events.
- Provide timely reporting to the Fund regarding account activity, performance results and any other reasonable information requested by the Fund.
- Comply with the Fund's brokerage goals, as applicable (see: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*).
- If applicable, make reasonable commercial efforts to minimize the generation of Unrelated Business Taxable Income ("UBTI"); any UBTI generated by the Fund's investments shall be reported to the Fund annually.
- Annually certify compliance with the Fund's Investment Policy Statement as well as all contractual agreements between the investment manager and the Fund (see: *Appendix G: Form of Investment Manager Annual Compliance Certificate*).

Responsibilities of the Custodian(s)

The Fund's custodian(s) shall:

- Act in accordance with relevant custodial agreement.

- Hold, safeguard and, when applicable, accurately price the assets of the Fund.
- Collect interest, dividends, distributions, redemptions and any other amounts due to the Fund.
- Report all necessary investment activity to Fund staff and the investment consultant.
- Prepare periodic summaries of transactions, asset valuations and other related information as deemed appropriate.
- Sweep all residual cash in each account on a daily basis into an investment-grade short-term money market fund, cash vehicle or cash-equivalent vehicle.

Responsibilities of the Securities Lending Agent(s)

The Fund's securities lending agent(s) shall:

- Comply with all applicable laws, regulations, rulings and respective contract documents.
- Limit loan periods to a maximum of one year.
- Perform reasonable due diligence on all borrowers.
- Ensure that adequate collateral is provided to the Fund for the securities that are lent and that the income generated by the securities lending program is fair and reasonable.
- Make every reasonable attempt to recall securities on loan before any transactions involving the lent securities settle.
- Manage the investment of cash collateral in such a manner consistent with the guidelines agreed to by contract and consistent with the risk/return characteristics of the Fund with the predominant focus being capital preservation.
- Provide necessary reporting on a periodic basis to Investment Staff, investment consultant(s) and the Fund's custodian(s).
- Annually certify compliance with the Investment Policy Statement and relevant contractual agreements.

Responsibilities of Outside Legal Counsel(s)

As it pertains to investment-related matters, the Board's outside counsel has the following responsibilities:

- Proactively provide the Board and Investment Staff with advice regarding compliance with applicable laws and regulations.
- Review and provide advice with respect to new investment management agreements, limited partnership agreements, side letters and other contractual agreements with investment managers.
- Review and provide advice with respect to contracts with investment service providers.
- Provide assistance on an as-needed basis with respect to any other legal matters related to investments of the Fund.

Responsibilities of the City Treasurer

The Treasurer of the City of Chicago shall be ex-officio treasurer and custodian of the Fund. The Board may supplement the Treasurer's responsibility by utilizing the services of a master custodian, or other custodian, for the safekeeping of cash and securities. The Fund's custodian, in accordance with the custodial agreement, provides for the proper accounting of portfolio activity, direct access to account information and other necessary services.

RISK MANAGEMENT

Risk management is essential to the Fund's mission and to the success of the Fund's investment program. Most investment decisions have a risk component that must be considered. When making investment decisions, the Board shall make a reasonable effort to consider all risks—liquidity risk, market risk, business risk, credit risk, currency risk, interest rate risk, inflationary risk, etc.— within the context of the Fund's overall portfolio. The Board, with assistance from the Investment Staff and its investment consultant(s), shall, taking into account the Fund's ability and willingness to assume risk, determine an appropriate risk tolerance level for the Fund. Determining the risk tolerance level shall serve as the first step in crafting an appropriate target asset allocation, setting investment goals and objectives, and making other investment-related decision. Understanding that risks evolve over time based on a number of factors including, but not limited to, changes is market environment and the Fund's financial situation, the Investment Staff and investment consultant(s) shall monitor risks and report any material changes in the Fund's overall risk profile to the Board.

INVESTMENT GOALS AND OBJECTIVES

Portfolio Goals and Objectives at the Overall Fund Level:
The Board sets the goals and objectives of the investment portfolio solely in the interest of the Fund, its participants and their beneficiaries. The performance objectives of the Fund are threefold:

1. The Fund is to meet or exceed its actuarial return assumption of 7.5% on a net-of-fees basis over time with a level of risk deemed appropriate by the Board while maintaining liquidity sufficient to cover benefit payments and other obligations.

2. The Fund is to outperform the risk-adjusted return, net-of-fees, of the policy benchmark outlined in Appendix B: Policy Benchmark over a market cycle (typically a three- to five-year period).

3. The Fund is to rank in at least the top half of the investment consultant's universe of comparable institutional investors with similar risk/return parameters consistently over time.

Investment Manager Goals and Objectives:
- Each investment manager is expected to outperform the agreed-upon benchmark on a risk-adjusted-basis over a market cycle (typically a three- to five-year period).
- The total net-of-fees return for the mandate should rank above the median within the respective peer universe.
- The investment manager shall attempt to achieve its return objectives while maintaining an appropriate level of risk as determined by the Board and/or as specified in the investment contract.

PORTFOLIO EVALUATION & REPORTING

The investment consultant and Investment Staff will evaluate the total Fund portfolio on, at least, a quarterly basis. The investment consultant and Investment Staff will meet with the various investment managers and the Board on a regular basis to review any changes to the investment guidelines and analyze the investment performance and structure of the Fund.

The investment manager(s) shall also provide written reports to the Board, Investment Staff and investment consultant on a quarterly basis. The investment manager's quarterly report shall include:

- Portfolio and market commentary/outlook
- Organizational updates (e.g. changes in personnel, management, ownership, etc.)
- Market value of investments
- List of all client-directed cash flows in and out of the account since inception (i.e. allocations to and redemptions from the Fund's account)
- Gross and net-of-fees performance versus the benchmark for the most recent quarterly, year-to-date and relevant longer-term periods
- Calendar year returns (net of fees) versus the benchmark for all periods since inception
- Attribution analysis
- Investment fees for quarterly, year-to-date and inception-to-date periods
- If applicable, capital account statement for quarterly, year-to-date and inception-to-date periods.
- Additional reasonable information as requested by the Board or Investment Staff

The investment consultant will promptly review any sizable shortfall in performance relative to the performance objectives with the Board and Investment Staff.

INVESTMENT MANAGER WATCH LIST

When evaluating an investment manager, the Board utilizes a "watch list" process to identify managers that require closer monitoring. Circumstances that may trigger the Board to place a manager on watch include:

- Poor performance of account relative to stated goals and objectives over a market cycle (typically a three- to five-year period)
- Material violations of the investment guidelines agreed to by contract
- Failure to comply with the terms of the contract
- Sale or merger of the investment management firm
- Changes in key personnel
- Material changes in investment philosophy, process or style
- Legal action taken against the investment management firm
- Unsatisfactory client service
- Noncompliance with the Board's M/W/DBE Broker-Dealer Utilization Policy (See: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy)*

While on watch, management firms may be required to meet with the Board and submit regular status reports. Removal from the watch list usually results from either the manager resolving the issue(s) that led to them being placed on watch or the Board deciding to terminate the account.

Investment managers placed on watch for performance-related issues will be evaluated based on their risk adjusted performance versus their stated benchmark over a complete market cycle. Investment managers will also be evaluated versus the appropriate peer universe and are expected to maintain net-of-fees performance above the peer median for the three- and five-year time periods.

Understanding that every situation is unique, the Investment Staff and investment consultant may recommend to the Board additional criteria on which to evaluate an investment manager while they are "on watch". Based on the specific circumstances, the Investment Staff and investment consultant will also make a recommendation at the outset as to a reasonable period over which to evaluate the manager while on watch.

INVESTMENT GUIDELINES

All of the provisions within the Investment Guidelines section shall apply to individual mandates managed by investment managers and not to the Fund as a whole. For the purposes of the Investment Guidelines section, the term "portfolio" shall refer to an individual mandate.

The guidelines for a particular investment mandate are set at the time of hiring and are included in the contractual agreement between the Fund and the investment manager. No deviation from the investment guidelines and objectives established in the contract between the Fund and the investment manager shall occur unless agreed to in writing by the Board. Any deviation by the investment manager from the contract guidelines without the approval of the Board may lead to the termination of the investment manager. The investment guidelines in this section are separated by asset class and represent standard investment guidelines with which the Board is comfortable. As such, these guidelines represent a framework utilized when negotiating investment manager contracts. On a case-by-case basis, the Board may allow deviation within the contract from these standard guidelines. The contract guidelines shall always govern. Moreover, the investment manager and/or the investment consultant will inform the Investment Staff and Board of any compelling reason to change any of these guidelines due to investment market outlook or a change in the Fund's structure or funding.

The investment guidelines established by contract between the Fund and the investment manager typically contain certain exposure limits (e.g. security exposure, company/issuer exposure, country/sector exposure, credit quality exposure, etc.). Investment managers shall never initiate a purchase or sale transaction that, at the time of purchase or sale, results in an exposure limit being exceeded. The following exceptions shall apply:

- During a reasonable investment period when significant additional capital is allocated to the investment manager by the Fund;
- During a reasonable liquidation period when significant capital is redeemed from the investment manager by the Fund; and
- During the liquidation stage of a closed-end private market investment.

If exposure limits are exceeded as a result of fluctuations in the market values of publically traded securities held in the portfolio, the investment manager does not need to immediately rebalance the portfolio if doing so is not deemed prudent by the investment manager. However, in this situation, the investment manager must alert the Investment Staff and investment consultant regarding the issue and present them with a reasonable plan as to how the investment manager will bring the portfolio back into compliance.

Each investment manager should immediately inform the Board, Investment Staff and the investment consultant in writing regarding all significant matters pertaining to the investment of assets. The Board, Investment Staff and investment consultant should be notified immediately of material changes in investment strategy or portfolio structure as well as other matters affecting the investment of the assets in accordance with the investment agreement entered into by the Fund and the investment manager. The Board, Investment Staff and investment consultant should also be informed immediately of any material changes in the ownership, affiliation, organizational structure, financial condition, or professional personnel staffing of the investment management organization.

The investment manager shall discharge its responsibilities in accordance with the fiduciary provisions contained within the Illinois Pension Code and investments shall be made for the exclusive benefit of the Fund, its participants and their beneficiaries.

General Guidelines (Equity and Fixed Income)

1. No use of private placements, venture capital, margin, leverage, securities not publicly traded, options, commodities, short sales, interest only, principal only, stripped mortgage-backed securities, forward contracts, future contracts or any other high risk/leveraged derivative investments unless written permission is granted by the Board.

2. All cash, interest earned and dividend payments shall be swept on a daily basis into an investment-grade short-term money market fund, cash vehicle or cash-equivalent vehicle. A mutually agreed upon sweep vehicle at the custodian will be utilized for this purpose.

3. Security purchase and sale transactions must be executed on a "best effort" basis with brokers or dealers selected by the investment manager. The manager's selection of a broker or dealer shall take into account such relevant factors as: (a) price and commission; (b) the broker's or dealer's facilities, reliability and financial responsibility; and (c) the ability of the broker or dealer to effect securities transactions, particularly with regard to such aspects thereof as timing, order size and execution of orders. The manager shall make all reasonable efforts to obtain best execution. Included in the Illinois Pension Code is a requirement that a policy increasing the utilization of "minority broker-dealers" be adopted by Illinois pension funds covered under the Code. Subject to best execution and the investment manager's fiduciary duty, the Board has set utilization goals encouraging the utilization of minority broker-dealers (40 ILCS 5/1-109.1). See *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*.

4. Foreign currency exchange transactions shall be executed on a "best effort" basis with brokers or dealers as selected by the investment manager. The manager's selection of a broker or dealer shall take into account such relevant factors as: (a) price and commission; (b) the broker's or dealer's facilities, reliability and financial responsibility; (c) bid/ask spread; and (d) the ability of the broker or dealer to effect foreign currency transactions, particularly with regard to such aspects thereof as timing, order size and execution of orders. The manager shall make all reasonable efforts to obtain the most competitive exchange rate.

5. The investment manager may not use any transaction involving the Fund's assets for purposes of receiving hard or soft-dollars with the exception of receiving soft-dollar credits for research that is used in the investment management process and directly benefits the Fund. Obtaining any goods or services from any broker, dealer, or other person other than for the purpose of research is prohibited. Soft dollar arrangements involving the Fund's assets must comply with Section 28(e) of the Securities Exchange Act of 1934 and must be disclosed.

U.S. Equity Manager Guidelines – Separate Account

1. The portfolio should be invested in marketable equity securities only.

2. The portfolio must seek to be fully invested at all times with a 5% maximum allowable cash exposure at any one point in time.

3. U.S. equity investments in any one company are limited to a maximum of 7% of the portfolio's overall allocation.

4. No investment shall be made in a foreign security without the prior, specific consent of the Board, unless the security is available in American Depository Receipts (ADRs) on a U.S. exchange, is primarily or exclusively traded on a U.S. exchange, or is included in the assigned benchmark. ADRs are limited to no more than 10% of an individual investment manager's portfolio on a market value basis. A foreign security means a security issued by, or for the benefit of, any corporation, government, agency, or other organization that is not based in the United States, regardless of whether the return is payable in United States currency. Foreign security also means investment in a mutual fund or collective fund that invests primarily in the securities of foreign governments, agencies, or corporations.

5. No holding by an individual investment manager may represent more than 5% of the outstanding stock of the issuing company.

6. If in any calendar quarter the turnover of equity investments significantly exceeds historical or expected levels, the investment manager will promptly submit a detailed explanation of the trading activity. (Turnover shall be calculated as the ratio of the proceeds of equity sales to the market value of equities at the start of the quarter).

Non-U.S. Equity Manager Guidelines

1. The manager(s) are permitted to invest the Fund's assets in the common stock of non-U.S. corporations (or `securities convertible into common stock) registered in countries represented in the assigned benchmark index.

2. If MSCI EAFE Mandate: The manager(s) is permitted to invest up to 20% of the portfolio in liquid securities primarily traded or domiciled outside of countries included in the MSCI EAFE Index. The primarily traded location is defined as the exchange where the majority of the issuer's equity is bought and sold. An issuer's domicile is determined by the location of their corporate headquarters or operations.

3. If MSCI Emerging Market Mandate: The manager(s) is permitted to invest up to 20% of the portfolio in liquid securities registered in countries that are not included in the MSCI Emerging Market Index.

4. The use of currency hedging is allowed only for defensive purposes.

5. Portfolio diversification by country, sector and security is required.

6. Investments in any one company may not comprise more than 5% of the portfolio's overall allocation.

7. Unless otherwise directed, the investment manager may only hold up to 10% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

8. If in any calendar quarter the turnover of equity investments significantly exceeds historical or expected levels, the investment manager will promptly submit a detailed explanation of the trading activity. (Turnover shall be calculated as the ratio of the proceeds of equity sales to the market value of equities at the start of the quarter).

Investment Grade Fixed Income Manager Guidelines – Separate Account

1. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.

2. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

3. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.

4. Investments in Rule 144a securities are permitted if *i)* the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii)* absent registration rights, a) the investment manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity, they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 5% of the portfolio's overall allocations.

5. The average duration of the portfolio is not to vary by more than +/-25% from the duration of the respective portfolio benchmark.

6. The average quality of the overall portfolio may not be less than AA rated. The investment manager will use the following methodology to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle ratings.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

7. If a security is downgraded to below investment grade by any of the rating agencies, the investment manager must promptly notify (within 30 days) the Investment Staff and the investment consultant of the situation and the investment manager's plan of action with regard to the security.

8. Derivative instruments are only permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps and options. Derivative instruments may be used for adjusting the duration, yield curve, volatility, or market risk exposure of the portfolio.

9. At no time may any derivative be utilized to leverage the portfolio for speculation.

10. No foreign securities will be allowed in the portfolio without prior approval by the Board. Canadian bonds and bonds included in the applicable benchmark are allowed.

11. Unless otherwise directed, the investment manager may only hold up to 15% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Core Plus Fixed Income Manager Guidelines – Separate Account

1. Non-Investment Grade securities (rated at or below Ba1 as defined by Moody's, BB+ as defined by Standard Poor's and BB+ by Fitch), preference shares, hybrid capital and convertible securities may not make up any more than 20% of the portfolio's overall allocation.

2. Non-U.S. dollar denominated securities may not make up any more than 20% of the portfolio's overall allocation. Emerging Market securities may not make up any more than 10% of the portfolio's overall allocation. Currency forwards are permitted. Currency forwards may be used for hedging purposes, as well as for outright active currency positions, irrespective of the underlying asset composition of the portfolio. Cross hedging is permitted. The net aggregate exposure to a single currency for non-hedging purposes, irrespective of whether it is long or short, cannot exceed 10% of the portfolio's overall allocations.

3. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.

4. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

5. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.

6. Investments in Rule 144a securities are permitted if *i)* the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii)* absent registration rights, a) the manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 10% of the portfolio's overall allocations.

7. At no time may any derivative be utilized to leverage the portfolio for speculation. Derivative instruments are permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps, options and credit derivatives. Derivative instruments may be used for adjusting the duration, yield curve, volatility, sector, credit, market, or spread risk exposure of the portfolio. Swaps including credit derivatives may be used to adjust the portfolio's exposure to a market sector and/or to sell or buy protection on the credit risk of individual issuers or a blanket of individual issuers. Derivatives may be used as a substitute for buying or selling securities and for non-hedging purposes seeking to enhance potential gains.

8. The average duration of the portfolio is not to vary by more than +/-25% from the duration of the respective portfolio benchmark..

9. Manager will use the following methodology to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle rating.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

10. Collateralized Mortgage Obligations ("CMOs") are limited to Planned Amortization Class ("PAC") and sequential issues. Specifically prohibited are companion tranches or support bonds, floaters, inverse floaters, income only, principal only CMOs and structured notes. Principal leverage in CMOs or other structured bonds in the portfolio is prohibited.

11. Pooled, commingled, or mutual funds managed by the investment manager that follow investment strategies that are generally consistent with these guidelines are permitted investments, but may not comprise more than 20% of the overall portfolio. The investment guidelines for the pooled, commingled, or mutual funds as outlined in the contract, prospectus, or Private Placement Memorandum will supersede these guidelines.

12. Unless otherwise authorized, the investment manager may only hold up to 20% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

High Yield Fixed Income Manager Guidelines – Separate Account

1. The average quality of the overall portfolio may not be less than B rated. The following methodology is recommended to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle rating.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

2. Unrated investments may not comprise more than 10% of the overall portfolio.

3. Non-U.S. dollar denominated securities are allowed, but may not make up any more than 20% of the portfolio's overall allocations.

4. Emerging Market securities are allowed, but may not make up more than 10% of the portfolio's overall allocations.

5. Currency forwards are permitted. Currency forwards may be used for hedging purposes, as well as for outright active currency positions, irrespective of the underlying asset composition of the portfolio. Cross hedging is permitted. The net aggregate exposure to a single currency for non-hedging purposes, irrespective of whether it is long or short, cannot exceed 10% of the portfolio's overall allocations.

6. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.

7. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

8. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.

9. Investments in Rule 144a securities are permitted if *i)* the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii)* absent registration rights, a) the manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 10% of the portfolio's overall allocations.

10. At no time may any derivative be utilized to leverage the portfolio for speculation. Derivative instruments are permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps, options and credit derivatives. Derivative instruments may be used for adjusting the duration, yield curve, volatility, sector, credit, market, or spread risk exposure of the portfolio. Swaps including credit derivatives may be used to adjust the portfolio's exposure to a market sector and/or to sell or buy protection on the credit risk of individual issuers or a blanket of individual issuers. Derivatives may be used as a substitute for buying or selling securities and for non-hedging purposes seeking to enhance potential gains.

11. The average duration of the portfolio is not to vary by more than +/-50% from the duration of the respective index.

12. Collateralized Mortgage Obligations ("CMOs") are limited to Planned Amortization Class ("PAC") and sequential issues. Specifically prohibited are companion tranches or support bonds, floaters, inverse floaters, income only, principal only CMOs and structured notes. Principal leverage in CMOs or other structured bonds in the portfolio is prohibited.

13. Pooled, commingled, or mutual funds managed by the investment manager that follow investment strategies that are generally consistent with these guidelines are permitted investments, but may not comprise more than 20% of the overall portfolio after accounting for price appreciation. The investment guidelines for the pooled, commingled, or mutual funds as outlined in the contract, prospectus, or Private Placement Memorandum will supersede these guidelines.

14. Unless otherwise directed, the investment manager may only hold up to 20% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Unleveraged Senior Secured Loans Fixed Income Manager Guidelines – Separate Account

1. Investments will be primarily in senior secured bank loans, including revolving loans, delayed draw loans, second lien loans and debtor-in-possession ("DIP") facilities ("Senior Secured Bank Loans"). Manager may purchase other secured bank-debt type investments as appropriate given the investment objectives agreed to by contact.

2. At no time may any derivative be utilized to leverage the portfolio for speculation.

3. A single security may not comprise more than 5% of the overall portfolio.

4. Manager shall seek to maintain an average quality of the overall portfolio of at least B/B2 as rated by Standard & Poor's and Moody's. Manager shall notify the Board, Investment Staff and investment consultant promptly if the average portfolio quality falls below B/B2. Manager will use the following methodology to determine compliance with quality:
   - If rated by Moody's/Standard & Poor's/Fitch, use middle ratings.
   - If only rated by two of the aforementioned agencies, use lower rating.
   - If only rated by one of the aforementioned agencies, use that rating.

5. Second lien loans may not comprise more than 20% of the overall portfolio.

6. Unrated investments may not comprise more than 5% of the overall portfolio.

7. No foreign securities will be allowed in the portfolio without prior approval by the Board.

8. Unless otherwise directed, the investment manager may only hold up to 15% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Cash Manager Guidelines – Separate Account

1. The purpose of the short-term fixed income account is to be used for benefit payments and other short-term financial obligations of the Fund.

2. At no time may any interest only (I.O.), principal only (P.O.), inverse floaters, or any other derivative be purchased or utilized.

3. At no time may any Rule 144a securities be purchased or utilized.

4. Non-US government or non-US agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.

5. Foreign securities will not be allowed without prior consultation with and approval by the Board.

6. The expected average life for a security cannot exceed eighteen months.

7. The average quality of the overall portfolio should be no less than AA (mid-grade rating) rated.
   - In the event of a split rating, use the lower rating.

8. An issue must have a rating of at least A- or the equivalent short-term money market rating.

Guidelines Relating to Commingled Funds, Mutual Funds, Collective Funds, Pooled Funds, Limited Partnerships or Other Similarly-Structured Vehicles

Commingled funds, mutual funds, collective funds, pooled funds, limited partnerships or other similarly-structured vehicles may be used from time to time. Such investment vehicles utilized by the Fund must adhere to the written objectives and guidelines as established in the contract, prospectus, or Private Placement Memorandum. If at any time the investment manager managing such investments deviates from these guidelines or investment objectives, the investment manager must immediately (within 5 days) notify the Investment Staff and investment consultant.

INVESTMENT MANAGER SELECTION PROCESS

If the Board decides, with assistance from the investment consultant and Investment Staff, to conduct an investment manager search, the Board will follow the procedures identified in *Appendix C: Investment Manager and Consultant Procurement Policy.* In evaluating investment managers for inclusion in the selection process, the Board will evaluate, at a minimum, the following:

- Investment manager ownership and organizational strength.
- Investment professional(s) tenure.
- Well-articulated and consistent application of investment philosophy and process.
- Portfolio characteristics relative to benchmark.
- Sector weightings relative to benchmark.
- Consistent long-term outperformance relative to benchmark and peer universe.
- Portfolio's long-term risk/reward profile compared to benchmark and peer universe.
- Investment management fees relative to competing managers and industry averages.

In accordance with Illinois Pension Code (40 ILCS 5/1-109.1), the Board has adopted a policy setting forth goals for utilization of emerging investment managers. The Board's policy is included as an appendix to the Investment Policy Statement (see: *Appendix D: M/W/DBE Emerging Investment Manager Utilization Policy*).

In consideration of the State of Illinois' policy in the Illinois Pension Code (40 ILCS 5/1A-108.5) encouraging pension funds to promote the economy of Illinois through the use of economic opportunity investments, the Fund will consider such investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

ASSET ALLOCATION

Upon advice from the investment consultant and Investment Staff, the Board shall adopt an appropriate asset allocation target. The Board, Investment Staff and investment consultant will review the asset allocation at least annually and consider changes as deemed prudent. The current target asset allocation is included in this policy as *Appendix A: Target Asset Allocation*.

Although it is the Board's intention to maintain an allocation within the long-term allocation target ranges, the Board may choose to allow the current allocation to remain outside the target range if it believes market conditions warrant doing so. For risk control purposes, allocations will be allowed to deviate by no more than +/- 2% outside target allocation ranges.

The Board recognizes that certain allocations are illiquid in nature (Private Equity, Real Estate, etc.). Because of this, these allocations may remain outside the target range for extended periods of time.

LIQUIDITY NEEDS & PORTFOLIO REBALANCING

The operating cash flow needs of the Fund often require the liquidation of investment assets on a monthly basis. The Board has delegated to the Chief Investment Officer, in conjunction with the investment consultant, the authority to liquidate assets, as necessary, to meet the monthly operating obligations. Liquidity will be primarily drawn from asset classes that exceed their respective allocation targets to help move the Fund's overall asset allocation closer to target allocations specified in *Appendix A*. Since the Fund's liquidity needs are typically known in advance, the Investment Staff will make a reasonable effort to present the Board with the liquidation plan and attain the Board's consent to liquidate at the Board meeting prior to the date on which the liquidation of assets is initiated. Should circumstances arise where it is impractical or impossible to receive prior consent from the Board, the Chief Investment Officer shall exercise his authority to liquidate assets and will report the liquidity event to the Board at its next regularly scheduled Board meeting.

Should the regular monthly liquidity events associated with benefit payments not be sufficient to keep the portfolio in line with the target allocations, the Fund's portfolio may need to be rebalanced by shifting assets from one asset class to another. In these instances, the investment consultant and Investment Staff will bring a rebalancing plan to the Board for its approval. Upon approval by the Board, the Investment Staff will work to transition the assets.

COST MANAGEMENT

Active versus Passive Management

The Board utilizes both active and passive management. Active management is utilized in an attempt to exceed the performance of a certain index by a mutually-agreed-upon level, net of fees. Passive management is utilized to mimic the performance of a specific index. Active management is more expensive than passive management. The Board utilizes active management when it believes there is inefficiency in the market or there is a strong probability of achieving a net return premium over the associated index.

Management Fees

Investment management fees are agreed upon during contract negotiations between the Fund and the investment manager. The Board strongly prefers that a 'most favored nation' clause be included in all contracts. The Board will periodically require the review of all management fee structures to confirm that they compare favorably to prevailing market rates.

Transition Management

Rebalancing the Fund's portfolio requires purchasing and/or selling securities. In an attempt to minimize costs, the investment consultant and/or Investment Staff establishes a plan regarding what assets are to be transitioned, how they will be transitioned and when the transition will occur. A pre-transition planning process helps keep transition costs to a minimum.

Steps to minimize transition costs include:

1. Utilizing third-party transition managers that serve in a fiduciary capacity to manage the process when prudent
2. Scheduling transitions such that they coincide with other signification cash flow events when prudent
3. Utilizing "in-kind" transfers when prudent
4. Utilizing lower cost trading platforms when prudent
5. Utilizing cross-trade opportunities when prudent
6. Utilizing discount brokerage opportunities when prudent

Transitions are evaluated by comparing post-trade analysis reports to pre-trade estimations and objectives.

In situations where a third-party transition manager is utilized, selection of transition managers is normally made by the investment manager unless the transition need is based on the termination of an investment manager, in which case Investment Staff will select the provider of transition management services.

Other Fees

The Board periodically commissions the investment consultant and Investment Staff to review fees and policies related to brokerage, foreign exchange and utilization of other third-party services to ensure that the fees being assessed to the Fund are competitive.

CORPORATE GOVERNANCE

Proxy Voting

Unless the Fund directs the voting of a particular proxy, each investment manager shall have full discretionary authority and responsibility to exercise the proxy voting rights related to securities held on behalf of the Fund. As fiduciaries, investment managers shall exercise voting rights in a manner consistent with the economic best interest of the Fund, its participants and their beneficiaries. Each investment manager shall avoid conflicts-of-interest in exercising voting rights.

On an annual basis (by January 31st of each year), each investment manager shall provide the Investment Staff with a copy of its proxy voting policy and a written report detailing each proxy vote made during the prior calendar year.

Securities Litigation (Class Actions) Policy

The Board invests in both equity and fixed income instruments of various public companies. As an investor in public companies, there are times when the Fund may be an investor in a company facing a class action lawsuit relating to a possible violation of federal or state securities laws. If the Fund was an investor within the determined claim period in a company facing a class action lawsuit, the Fund becomes a putative member of the class and would participate in any proceeds derived from the suit. The Fund's custodian provides class action filing and reporting services pertaining to class action suits filed in the U.S. court system.

The Fund periodically receives solicitations from litigating law firms seeking to represent the Fund in filing for lead plaintiff status in class action lawsuits. The Board currently has signed agreements with such firms. The Board, after being informed of the specifics of a potential suit and the Fund's estimated losses as determined by such firms, may make the decision to submit the Fund's name for consideration as lead plaintiff. Separately, these firms review the Fund's investment holdings on a monthly basis and identify opportunities for participation in class action settlements.

BOARD AUTHORITY TO IMPOSE INVESTMENT RESTRICTIONS

From time-to-time, the Board may impose certain investment restrictions at the overall Fund level that shall be instituted in addition to mandate-specific restrictions found in individual investment manager contracts. Subject to an investment manager's exercise of fiscal and fiduciary duty, the investment manager shall comply with such restrictions. See *Appendix F: Restrictions on Investment* for a current list of such restrictions.

ENFORCEMENT

The Board expects every fiduciary of the Fund to comply with this Investment Policy Statement. If for any reason any party acting in a fiduciary capacity is unable to comply with the Investment Policy Statement, that party shall immediately notify the Board in writing. More specifically, if any investment manager or the investment consultant concludes that any aspect of this statement is inappropriate or will unnecessarily inhibit performance, the investment manager or investment consultant is obligated to notify the Board rather than fail to comply. Failure to comply with the Investment Policy Statement may be cause for termination.

CONCLUSION

This document sets forth the Fund's Investment Policy Statement with regard to the investment of Fund assets under the Illinois Pension Code. It also explains the Board's fiduciary responsibility to the Fund, its participants and their beneficiaries. This document and its attached appendices are effective as of the date adopted by the Board. This document is available on our website at www.meabf.org. To receive a hard copy of this document or for further inquiries, please contact:

Chief Investment Officer
Municipal Employees' Annuity and Benefit Fund of Chicago
321 North Clark Street, Suite 700
Chicago, Illinois 60654
P: (312) 236-4700
Email: cio@meabf.org

AMENDMENTS TO THE INVESTMENT POLICY STATEMENT

The Board of Trustees may, at its discretion, modify or withdraw this Investment Policy Statement at any time. If changes are made to the Investment Policy Statement, the Board shall file a copy of the new policy with the Illinois Department of Insurance within 30 days as specified in the Illinois Pension Code. [40 ILCS 5/1-113.6]

Adopted and Approved: the _____ of ________________, ________.

APPENDICES

Appendix A: Target Asset Allocation

	Minimum	Target	Maximum
Traditional:			
Fixed Income:			
Broad Fixed Income	13%	15%	17%
High Yield	3%	5%	7%
Bank Loans	3%	5%	7%
Total Fixed Income	**20%**	**25%**	**30%**
U.S. Equity:			
Large-Cap	9%	16%	23%
Mid-Cap	3%	5%	7%
Small-Cap	3%	5%	7%
Total U.S. Equity	**21%**	**26%**	**31%**
Non-U.S. Equity:			
Developed Market, Large-Cap	10%	12%	14%
Non-U.S. Small-Cap	3%	5%	7%
Emerging Market	3%	5%	7%
Total Non-U.S. Equity	**17%**	**22%**	**27%**
Alternative:			
Real Assets:			
Real Estate	7%	10%	13%
Infrastructure	0%	2%	4%
Total Real Assets	**9%**	**12%**	**15%**
Hedge Funds	**3%**	**5%**	**7%**
Defensive Equity	**3%**	**5%**	**7%**
Private Equity	**3%**	**5%**	**7%**

Appendix B: Policy Benchmark

25%	Barclays Capital U.S. Aggregate Index (Fixed Income)
26%	Wilshire 5000 Index (U.S. Equity)
22%	MSCI ACWI ex US Index (Non-U.S. Equity)
5%	HFRI Fund-of-Funds (Hedge Funds)
5%	CBOE S&P 500 PutWrite Index (Defensive Equity)
5%	Venture Economics Private Equity Index (Private Equity)
10%	NFI ODCE (Real Estate)
2%	LIBOR + 4% (Infrastructure)

Appendix C: Investment Manager and Investment Consultant Procurement Policy

The Board has established a procurement policy for the selection and appointment of investment managers and investment consultants that provide investment services to the Board. This policy (a) outlines the competitive process established by the Board in selecting investment managers and investment consultants and (b) specifies the respective roles of the Board, Fund staff and investment professionals utilized in each stage of the selection process. The policy also incorporates the Board's goal regarding inclusion of minority owned businesses, female owned businesses, and businesses owned by a person with a disability within the selection process. This policy is not meant to limit the Board's right to modify current mandates, rebalance the Fund's portfolio when prudent, or make follow-on investments to current mandates.

<u>Exceptions</u>

The following investment services shall be exempt from this policy:

A) Sole source procurements

B) Emergency procurements

C) At the discretion of the of the Board, non-renewable, one-year contracts not exceeding $20,000

Exceptions shall be posted on the Fund's website, which shall include the person authorizing the procurement and a brief explanation of the reason for the exception.

<u>Selection and Appointment Process for Investment Managers</u>

A) **Notification of Intent to Conduct Search (specific to Private Equity, Real Estate and Other Similarly-Structured Investment Vehicles)**

Within certain asset classes (primarily private equity and closed-end real estate), investment managers raise capital during specific periods of time. Given the nature of these types of investments, the Fund will make a reasonable attempt to post on its website, at or near the end of each calendar year, the Fund's intentions regarding new investments over the next year in private equity, real estate, and other similarly-structured investment vehicles. Investment managers raising capital in relevant asset classes during this time period are encouraged to keep the Fund's investment consultant abreast of the timing of such investment opportunities.

B) **Initiation of Search Process**:

a. Initiation – The Board initiates an investment manager search by a motion at an open meeting of the Board.
b. Notice – Notice for an investment manager search shall be posted on the Fund's website at least fourteen (14) days prior to the solicitation response due date.
c. Availability of Search Documents – The solicitation document for a search shall be available on the Fund's website.

C) **Solicitation Document:**

Documents utilized to solicit investment management services shall include, but not be limited to:

a. A description of the services being procured and an estimate of the amount of assets to be awarded
b. Listing of relevant dates
c. Description of contract scope
d. Required qualifications
e. Evaluation factors
f. A copy of the Fund's Investment Policy Statement (respondents must acknowledge receipt)
g. If applicable, the Fund's standard investment management agreement, otherwise a list of the standard contract requirements.
h. List of investment manager disclosure requirements
    i. Investment Manager Information
        1. Firm name and address
        2. Parent company
        3. Subsidiaries or entities with a controlling interest

4. Executive officers
5. Owner or receiver of distributive interest in excess of 7.5%

ii. Subcontractor assignments

1. Name and address of subcontractors (Investment managers must agree to notify the Fund if, during the term of the contract, a subcontractor is added or changed)
2. Estimated size of assignment and fee structure

iii. Required disclosures by applicable laws, including, but not limited to, the Illinois Compiled Statutes (40 ILCS 5/1-113.21), as amended.

i. Proposed management fee structure

D) **Questions Relating to the Solicitation:**

Questions regarding the solicitation shall be submitted in writing by the investment manager to the designated point of contact by the date stated within the search document(s). Shortly thereafter, the Fund will post responses to all questions on its website.

E) **Evaluation Process**:

a. Submissions determined responsive and received by the stated deadline shall be recorded and receipted.
b. Investment consultant and/or Investment Staff shall review and evaluate against search specifications.
c. Investment consultant and/or Investment Staff shall identify the most qualified firms.
d. Investment consultant and/or Investment Staff will make a reasonable attempt to verify information submitted and resolve or confirm any discrepancies.
e. A list of all responses will be provided to the Board.
f. Profiles of the most qualified firms will be distributed to the Board for discussion.
g. The Board reserves the right to select finalists that will be invited to present to the Board.

F) **M/W/DBE Investment Managers:**

For the purposes of this policy, "emerging investment manager" and "minority investment manager" shall have the meaning ascribed to them in 40 ILCS 5/1-109.1(4) and (9), respectively.

In the search process, the Board encourages the investment consultant to utilize qualification criteria that support the inclusion of "emerging investment managers" and "minority investment managers".

The Board further encourages the investment consultant to proactively identify to "emerging investment managers" and "minority investment managers" that satisfy the search requirements.

If in any case an "emerging investment manager" or "minority investment manager" that submitted a proposal for consideration meets the requirements for a specific search, then that "emerging investment manager" or "minority investment manager" shall receive an invitation to present to the Board. In the case where multiple "emerging investment managers" or "minority investment managers" meet the criteria of the search, the most qualified firm or firms shall be selected to present to the Board.

G) **Quiet Period:**

To ensure that respondents have equal access to information, that communications are consistent and accurate, and that the solicitation process is efficient, diligent and fair, a quiet period shall:

a. Commence upon the passage of a motion authorizing a search.
b. Prohibit communication between Board members (the decision-makers) and responding firms regarding any product or service relating to the solicitation.
c. Prohibit the acceptance of any meals, travel, lodging, entertainment or any other good or service from the respondent by the Board, Fund staff, or investment consultant.

Respondents may be disqualified if a willful material violation of the quiet period is determined to have occurred. The quiet period does not prevent a Board member from attending Board approved meetings or conferences.

H) **Awarding, Negotiating and Notice of Agreement**:

a. Awarding of Mandate – The Board shall award one or more firms the mandate after the evaluation process is complete. The Board's selection will be based on an evaluation of the firm's qualifications, governing law and rendered solely in the interest of the Fund, its participants and their beneficiaries. Evaluation criteria will include the quality of the investment team, the firm's investment philosophy, the firm's synergy in relation to other existing mandates, the historical performance of the firm and the total cost of services to be provided.

b. Negotiation of Agreement – The Board authorizes the Fund's Executive Director and/or the Chief Investment Officer to negotiate agreements with the selected firms. The agreement shall include the requirements set forth in Section 1-113.14(c) of the Illinois Pension Code. If unable to negotiate a satisfactory agreement, the Board may select another investment manager from the group of qualified finalist.

c. Notice of Agreement - After executing a contract and funding the mandate, the following information shall be posted on the Fund's website:

   i. Name of firm(s) receiving the award
   ii. Size of mandate
   iii. Fee schedule
   iv. Summary of factors that contributed to the Board's selection

<u>Selection and Appointment Process for Investment Consultants</u>

The selection and appointment process for investment consulting services will be conducted by the Investment Staff at the direction of the Board and shall comply with all applicable laws including, without limitation, the provisions of the Illinois Pension Code, as amended and be substantially similar to the selection and appointment process for an investment manager.

The term of a rewarded contract for investment consulting services shall not exceed five (5) years.

Amended February 19, 2015.

Appendix D: M/W/DBE Investment Manager Utilization Policy

In accordance with 40 ILCS 5/1-109.1(4), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by emerging investment managers:

		Goal Range
Total investment assets		20% to 30%
By asset class		
a.	Equity	15% to 25%
b.	Fixed income	15% to 25%
c.	Alternatives	10% to 20%
By ownership classification		
a.	Minority	12% to 18%
b.	Woman	03% to 07%
c.	Disabled	01% to 02%

40 ILCS 5/1-109.1(4) defines "emerging investment manager" as "a qualified investment adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a 'minority owned business', 'female owned business' or 'business owned by a person with a disability' as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act."

In accordance with 40 ILCS 5/1-109.1(9), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by minority investment managers:

		Goal Range
By ownership classification		
a.	Minority	14% to 20%
b.	Woman	03% to 07%
c.	Disabled	01% to 02%

40 ILCS 5/1-109.1(9) defines "minority investment manager" as "a qualified investment manager that manages an investment portfolio and meets the definition of 'minority owned business', 'female owned business', or 'business owned by a person with a disability', as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act."

These goals shall be reviewed annually.

Amended January 22, 2015.

Appendix E: M/W/DBE Broker-Dealer Utilization Policy

Based on the Illinois Pension Code, the Fund must adopt a policy that sets forth goals increasing the utilization of "minority broker-dealers". Minority broker-dealer shall mean a qualified broker-dealer who meets the definition of "minority owned business", "female owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The Board encourages the use of minority broker-dealers and sets goals, by asset class, regarding their use. In the event that new asset classes are added to the Fund's portfolio, the Board will consider setting or revising applicable minority broker-dealer utilization goals prior to funding any new mandate associated with that asset class. Even where specific minority broker-dealer utilization goals are not set or do not apply, the Board encourages the investment managers to make a best-efforts attempt to utilize minority broker-dealers. Compliance with this policy will be considered part of an investment manager's overall performance. Non-compliance may result in a manager being placed "on watch" for performance reasons. Continued non-compliance can result in the termination of the investment manager.

Investment managers are required to act as fiduciaries when investing Fund assets. As fiduciaries, investment manager decisions are made for the exclusive benefit of the Fund, its participant and their beneficiaries. Investment managers are required to search for "best execution" in selecting brokerage firms for trade execution services. The Board defines best execution as achieving the best possible terms of execution while taking into account both explicit and implicit trading costs. The investment manager's selection of such brokers shall be in accordance with Article 1 of the Illinois Pension Code (40 ILCS 5/1-101 et seq.), the Investment Advisers Act of 1940 and any other applicable securities laws, rules and regulations.

The asset class specific utilization goals and reporting requirements are as follows:

Equity Managers: Subject to best execution, in accordance with the goals and objectives of the account agreement, each investment manager who manages equities on behalf of the Board in non-commingled accounts shall make every effort to adhere to the following policy goals of the Board:

40% of total domestic equity trading, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis.

20% of total international equity trading within mandates dealing predominantly in developed market securities, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis.

10% of total international equity trading within mandates dealing predominantly in emerging market securities, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis

Managers shall not utilize indirect methods, such as "step-out" commissions, to achieve these goals. Trades executed utilizing electronic trading platforms that are not competitively provided by minority broker-dealers shall be excluded from the trading goals.

Each manager shall submit a monthly progress report to Fund's Investment Staff following the end of each month that details all trading activity with minority broker-dealers. Progress reports shall also be included in the manager's quarterly performance report to the Board. Annually, the manager will submit a compliance report that will be reported to the Board. The reports shall separate information by broker-dealer and include:

1. Total shares traded, total trading commissions and average commission cost per share
2. Total shares executed at a commission rate that includes services in addition to execution services; description of additional services provided.
3. List of all forms of payments made to minority broker-dealers, including but not limited to, trading execution commissions, step-out commissions, research purchased and soft dollar credits purchased.
4. Explanation if trading activity is not in compliance with Board objectives.

<u>Fixed Income Managers:</u> Subject to best execution, in accordance with the goals and objectives of the account agreement, each manager that manages fixed income securities on behalf of the Board in non-commingled accounts shall make every effort to initiate trading activity in accordance with the following policy objectives of the Board:

25% of trading volume (based on par value) in U.S. investment grade fixed income securities traded in secondary markets shall be with minority broker-dealers on a calendar year basis.

When purchasing new issue securities, the manager will make every effort to utilize minority broker-dealers who are part of the underwriting syndicate selling the new issues.

Each manager will submit a monthly progress report to Investment Staff following the end of each month that details trading activity with minority broker-dealers. Progress reports will also be included in the manager's quarterly performance report to the Board. Annually, the manager will submit a compliance report that will be reported to the Board. The reports shall separate information by broker-dealer and include:

1. Total volume of securities traded by broker-dealer, based on par value.
2. Explanation if trading activity is not in compliance with Board objectives.

Appendix F: Restrictions on Investment

From and after the effective date of this policy, the restrictions on investment found in Appendix F of this Investment Policy Statement shall govern.

The Board requires investment managers to adhere to the restrictions set forth below with respect to publicly traded equity and fixed-income securities that are actively managed through separate accounts.

Unless the Fund provides its investment managers with a list of specifically restricted investments, it shall be the responsibility of the investment manager to determine a reasonable basis by which to identify such restricted investments and make a reasonable effort to adhere to such restrictions.

<u>At this time, there are no restrictions on investments.</u>

Appendix G: Form of Investment Manager Annual Compliance Certificate

**MUNICIPAL EMPLOYEES', OFFICERS' AND OFFICIALS'
ANNUITY & BENEFIT FUND OF CHICAGO**

INVESTMENT MANAGER ANNUAL COMPLIANCE CERTIFICATE

As a duly authorized officer of ______________________ (the "Investment Manager"), I hereby certify to the Retirement Board of the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago ("MEABF") that I have reviewed the following:

1. All contractual agreements between the MEABF and the Investment Manager pertaining to MEABF's investment in the following product or fund:

   ____ (the "Investment"); and

2. MEABF's Investment Policy Statement dated April 22, 2014, as same may have been amended from time to time; (collectively, the "Requirements").

In addition, to the best of my knowledge and after diligent review of the documents stated herein, I hereby certify to the Retirement Board of the MEABF that during the calendar year ending December 31, 20XX, the Investment Manager and the Investment were in compliance with the applicable Requirements. I further certify, to the best of my knowledge, that the Investment Manager was in compliance during the year ending December 31, 20XX with Rule 206(4)-5 (Political Contributions by Certain Investment Advisers) of the Investment Advisers Act of 1940.

Date: ___________

By: ______________________________

Name: ______________________________

Title: ______________________________

POLICEMEN’S ANNUITY AND BENEFIT FUND

OF CHICAGO

INVESTMENT POLICY MANUAL

Updated August 1, 2017

Section 1

TABLE OF CONTENTS

Section 2

STATEMENT OF INVESTMENT POLICY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted July 22, 1983
Revised March 27, 1984
Revised October 29, 1986
Revised April 23, 1987a
Revised November 22, 1991
Revised July 23, 1992
Revised August 22, 1996
Revised February 24, 2000
Revised August 22, 2000
Revised April 27, 2001
Revised December 27, 2002
Revised February 28, 2003
Revised June 23, 2005
Revised May 25, 2006
Revised August 1, 2007
Revised March 24, 2008
Revised September 22, 2008
Revised April 22, 2010
Revised January 25, 2011
Revised January 27, 2011
Revised March 24, 2011
Revised April 27, 2011
Revised May 24, 2011
Revised June 28, 2011
Revised July 25, 2011
Revised November 22, 2011
Revised February 23, 2012
Revised September 25, 2012
Revised January 31, 2013
Revised February 28, 2013
Revised October 24, 2013
Revised March 12, 2014
Revised November 17, 2014
Revised February 22, 2016
Revised March 22, 2016

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to defray the reasonable expenses of administering the Fund (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, may appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the Fund (40 ILCS 5/1-109.1(1)(a)); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The following Statement shall describe the investment policy for the Fund:

Investment Philosophy

The Fund's overall investment policy is based upon the following principles established by the Board:

1. Maintain a long-term investment horizon for the Fund; and

2. Emphasize equity investments to enhance long-term return; and

3. Diversify investments across several asset classes.

Distinction of Responsibilities

The Board assumes the responsibility for establishing the investment policy (as described more fully in the following sections) that is to guide the Fund's investments. The investment policy describes the degree of investment risk that the Board deems appropriate.

The Board may appoint one or more investment managers as fiduciaries to manage the assets of the Fund and execute the Fund's investment policy. Investment managers appointed to execute the Fund's investment policy must invest the Fund's assets in accordance with the Fund's investment policy and any applicable statutes, but may apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within the Fund's investment policy limits, to (1) select individual investments and (2) construct portfolios to achieve the investment manager's individual mandated objective for the Fund.

Allocation of Assets

It is the Board’s policy to invest the Fund's assets in the following proportions:

	Long-Term Allocation Percentages		
Asset Class	Long-Term	Min	Max
U.S. Equity	21.0%	10.0%	32.0%
Non-US Equity	20.0%	WIP	WIP
Equity (Total)	41.0%	WIP	WIP
Fixed Income & Cash	22.0%	WIP	WIP
Tactical & Alpha Strategies	19.0%	WIP	WIP
Real Assets	4.0%	WIP	WIP
Alternatives (Total)	23.0%	WIP	WIP
Private Equity	7.0%	WIP	WIP
Infrastructure	2.0%	WIP	WIP
Real Estate	5.0%	WIP	WIP
Private Capital (Total)	14.0%	WIP	WIP

No contract, oral or written, for investment services, consulting services, or commitment to a private market fund shall be awarded unless such investment advisor, consultant, or private market fund first makes the following disclosures set forth in 40 ILCS5/1-113.21, as amended from time to time: (1) the number of its investment and senior staff and the percentage of such persons who are a (i) minority person, (ii) female, and (iii) person with a disability; (2) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant or private market fund has with a (i) minority owned business, (ii) female owned business, or (iii) business owned by a person with a disability; and (3) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant or private market fund has with a business other than a (i) minority owned business, (ii) female owned business, or (iii) business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by a (i) minority person, (ii) female, and (iii) person with a disability. The disclosures required by this paragraph shall be considered by the Board, within the bounds of financial and fiduciary prudence, prior to the awarding of a contract, oral or written, for investment services, consulting services, or commitment to a private market fund.

Diversification

In order to minimize the impact of large losses and to reduce annual variability of returns, the Fund’s Assets shall be allocated across major asset classes and diversified broadly within each asset class.

Liquidity

Benefit payments are expected to exceed contributions for a number of years. When cash is needed to make benefit payments, marketable securities shall be liquidated from those asset classes that are above their policy ranges to help bring the allocations closer to their targets. If all allocations are within the policy ranges, the availability of cash and the cost of liquidating securities shall be used as primary determinants as to the source of liquidity.

Relatively illiquid investment media such as venture capital partnerships, real estate holdings, and private capital investments may be made within prescribed limits, with due consideration regarding their impact on overall liquidity requirements, and when the excess expected return is sufficient to compensate the Fund for reduced liquidity.

It is the Board's intention to maintain the current allocation within the long-term allocation target ranges. However, the Board appreciates the illiquid nature of some of the Fund's investments and acknowledges that several years may be needed to rebalance certain asset classes, especially in alternative investments (Opportunistic, Real Estate, Private Equity and Infrastructure).

Asset Rebalancing

Compliance with the Fund's investment policy may require a periodic adjustment, or rebalancing, of assets among asset classes and investment managers to conform with investment policy targets.

Rebalancing shall bring the allocation of the Fund's assets within range limits, assuming a target portfolio is available to transfer the assets.

The Board, at times, may choose to allow the actual asset allocation to remain outside the rebalancing ranges if they believe market conditions warrant it. For risk control purposes, the absolute allocation shall be limited to an additional +/- 2 percentage points outside the current rebalancing ranges.

Rebalancing is expected to take place within a reasonable amount of time to accommodate cost and liquidity constraints.

Active Equity Mandates:

- Rebalance to 5% when an equity active mandate allocation is more than 6.5% of the Fund's total assets ("Total Fund Assets").

- Rebalance to 7.5% when a fixed income active mandate strategy allocation is more than 9% of Total Fund Assets.

- Rebalance when the Fund has more than 10% exposure to a single firm/business entity.

Investment Objectives and Performance Evaluation

The investment objective is to achieve a rate of return consistent with the investment policy stated above. Over reasonable measurement periods, the rate of total return earned on Total Fund Assets shall be compared with:

Starting November 2014, the return of the Policy Portfolio comprised Russell 1000 Index - 15%; Russell 2000 Index - 6%; MSCI EAFE Index - 14%; MSCI EME Index - 6%; BC Aggregate Index - 13%; BC Global Aggregate Index - 4%; Libor+3% - 5%;Thompson One All Private Equity Lag - 7% ; CPI + 500 bps – 2% (for Infrastructure); HFRI Fund of Funds Composite Index - 7%; NCREIF Property Index 1Qtr Lag – 5%; 60% MSCI ACWI (net)/40%WGBI) – 12%; Dow-Jones – UBS Commodity TR – 2%; BC Global Inflation Linked U.S. Tips – 2%.

Prior allocations can be found in the "Supplemental Information," section 13.

(This page left blank intentionally)

Section 3

GUIDELINES FOR ADMINISTERING THE INVESTMENT POLICY OF THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted August 27, 1992
Revised March 21, 1994
Revised August 18, 1995
Revised August 22, 1996
Revised February 24, 2000
Revised April 27, 2001
Revised March 24, 2008
Revised April 22, 2010
Revised February 23, 2012
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to defray the reasonable expenses of administering the Fund (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, may appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the Fund (40 ILCS 5/1-109.1(1)(a)); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The following document outlines the procedures for rebalancing the Fund's assets to conform to the asset-allocation percentages established by the Board.

Responsibility

The Fund's Chief Investment Officer shall consult, as needed, with consultants in reviewing and evaluating all relevant information and determining the appropriate reallocation of the Fund's assets. The Chief Investment Officer shall be responsible for rebalancing Fund's assets, as needed, to conform to asset-allocation percentages specified in the Fund's Statement of Investment Policy as follows:

	Long-Term Allocation Percentages		
Asset Class	Targets	Min	Max
U.S. Equity Passive Large Cap	8.0%	3.0%	13.0%
U.S. Equity Active Large Cap	7.0%	4.0%	10.0%
U.S. Equity Active SMID Cap	6.0%	3.0%	9.0%
*U.S. Equity Subtotal**	*21.0%*	*10.0%*	*32.0%*
Non-U.S. Equity	20.0%	WIP	WIP
Equity (Total)	41.0%	WIP	WIP
Fixed Income & Cash†	22.0%	WIP	WIP
Tactical & Alpha Strategies	19.0%	WIP	WIP
Real Assets	4.0%	WIP	WIP
Alternatives (Total)	23.0%	WIP	WIP
Private Equity	7.0%	WIP	WIP
Real Estate	5.0%	5.0%	9.0%
Infrastructure	2.0%	WIP	WIP
Private Capital (Total)	14.0%	WIP	WIP

1

* To the extent that international equities, private equity, real estate, and opportunistic strategies allocations differ from their targets, the asset allocation target and range for U.S. common stock should be adjusted accordingly.
† To the extent that infrastructure allocation differs from its target, the asset allocation target and range for fixed income should be adjusted accordingly.

Frequency

The Chief Investment Officer shall review the Fund's conformance with the investment policy on a monthly basis. The Chief Investment Officer shall obtain from the Fund's custodian the most recent values for all investment accounts/managers employed by the Fund and shall review the asset allocation of the all of the Fund's investments as soon as practical after the previous month-end.

Objective

The overall objective of asset rebalancing is to ensure the Fund's asset allocation conforms closely to the policy targets established by the Board, while minimizing transactions costs. To accomplish the rebalancing, the Chief Investment Officer may employ the following:

- cash inflows and outflows;
- allocation opportunities arising from manager hirings, terminations, reallocations in accordance with prior Board actions;
- current income; and
- cost-free transfers to and from index funds.

The Chief Investment Officer shall employ the above-stated methods, to the extent they are available, to bring the Fund's asset allocation back in line with the policy targets. If, however, transactions are required that would result in transactions costs to the Fund, the Chief Investment Officer shall rebalance the Fund's assets to conform to the asset allocation range limits set forth above in the Fund's Statement of Investment Policy.

Communication to the Board

The Chief Investment Officer shall notify the Board on a monthly basis of any rebalancing activity.

Transition Plan to implement Long-Term Targets – Effect on Policy Portfolio

As the Fund seeks to achieve its long-term target for the opportunistic strategies, private equity, real estate, and infrastructure asset classes, the Fund shall continue to treat such asset's "policy weight" as its "actual weight." The long-term target less the remaining portion shall be allocated according to the following:

- To the extent that real estate, infrastructure, and private equity allocations differ from those of their targets, the asset allocation target and range for U.S. common stock shall be adjusted accordingly.

- To the extent that opportunistic strategies allocation differs from its target, the asset allocation target and range for bonds and U.S. equity shall be adjusted pro-rata, with bonds making up 80% of the difference and U.S. equity making up the remaining 20% difference.

Section 4

ASSET STRATEGY STATEMENTS

STRATEGY FOR INVESTING IN U.S. EQUITY

Adopted September 25, 1992
Revised June 23, 2005
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen’s Annuity and Benefit Fund of Chicago (the “Board”) was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen’s Annuity and Benefit Fund of Chicago (the “Fund”) for the benefit of the Fund’s participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The Fund shall seek to participate in the long-term growth of U.S. industries by broad diversification in U.S. common stocks.

The Fund shall use passive investments to gain broad, highly diversified, low-cost market exposure to the domestic stock market. This core of passive investments shall be supplemented with active managers in an attempt to add value above the market return. The current target for passive management is 50% of U.S. Equity assets.

The domestic stock component’s overall exposure shall be similar to that of the overall market based on style (value, core and growth) as well as capitalization (small, mid and large). Such a structure shall prevent significant biases developing in the portfolio that may increase the volatility of returns and hurt performance over certain periods. Passive style indices may also be used at times to alleviate style biases in the portfolio.

Performance Benchmark

Russell 3000 Index.

STRATEGY FOR INVESTING IN NON-U.S. EQUITY

Adopted July 23, 1992
Revised August 22, 2000
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- The Fund shall invest broadly within the non-U.S. stock market.

- The Fund shall not make an explicit policy commitment to invest in emerging markets, but shall allow active managers that have skill and experience investing in these markets to do so on a limited basis.

- The current target for passive management is 33% of Non-U.S. Equity assets.

Performance Benchmark

MSCI ACWI Ex. U.S.

STRATEGY FOR INVESTING IN PRIVATE EQUITY

Adopted July 23, 1992
Revised August 22, 1996
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Private equity investments shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- The Fund may invest in fund-of-funds, high-quality venture capital partnerships, private equity investments, direct private placements, and secondary interests in venture capital partnerships, small-capitalization securities and corporate re-organization funds (i.e. LBO, management buy-out, and mezzanine financing funds).

- The Fund's private equity investments shall be diversified by time, investment stage, geography, and industry.

- The Fund may also invest in other forms of private equity on an opportunistic basis.

Performance Benchmark

Thomson One All Private Equity Lag.

STRATEGY FOR INVESTING IN FIXED INCOME

Adopted July 23, 1992
Revised May 23, 1993
Revised May 16, 1996
Revised June 23, 2005
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- The Fund shall invest broadly within the domestic bond market and allow active managers to opportunistically invest in non-U.S. bonds as set forth in the investment manager guidelines.

- The Fund's bond investments shall be primarily investment-grade quality (Baa or better). Certain active managers shall be allowed to opportunistically invest in non-investment grade bonds on a tactical basis as set forth in the investment manager guidelines.

- The Fund shall use commingled vehicles for passive investments in order to obtain diversification and reduce investment management costs. The percentage of passive management will be determined by the availability of appropriate active management strategies and the diversification level of the bond component. The current target of passive management is 40% of the bond component's assets.

- The Fund shall retain active managers to provide value added beyond the Barclays Aggregate Bond Index on a net-of-fees basis.

Performance Benchmark

Barclays Universal Index

STRATEGY FOR INVESTING IN INFRASTRUCTURE

Proposed March 24, 2008
Adopted [ ]
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Infrastructure investments shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- The Fund may invest in primary partnerships, fund-of-funds, secondary funds/transactions, and co-investments as it constructs its infrastructure portfolio.

- Over the long-term, the Fund's infrastructure investments shall be diversified through strategy, manager, vintage, asset type, and liquidity.

Performance Benchmark

CPI + 500 bps

STRATEGY FOR INVESTING IN ALTERNATIVE INVESTMENTS

Proposed March 24, 2008
Adopted [ ]
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109); and

Whereas, the Board recognizes that opportunistic strategies encompass a broad range of alternative strategies, but does not include real estate, private equity, and infrastructure, which are separate and distinct asset classes.

THEREFORE, BE IT RESOLVED THAT,

- Investments in opportunistic strategies shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- Over the long-term, the Fund's opportunistic strategies asset class may include sub-strategies, including sub-strategies that do not fit within the Fund's asset classes, such as hedge fund-of-funds, global macro, direct investments with hedge funds, extension strategies, absolute return strategies, timberland, agriculture, etc.

Performance Benchmark

Hedge Funds - HFRI Fund of Funds Composite Index
GTAA - 60% MSCI ACWI (net) / 40%WGBI
Real Assets – 50% Dow-Jones – UBS Commodity TR / 50% BC Global Inflation Linked U.S. Tips

GUIDELINES FOR INVESTING IN SHORT-TERM SECURITIES

Adopted June 19, 1993
Revised November 17, 2014
Revised February 22, 2016

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

Short-term investing for the Fund shall be conducted through the City Treasurer's office or by an investment manager selected by the Board. The investments permitted as short-term investments for the Fund include:

- Interest-bearing general obligations of the United States, State of Illinois, and City of Chicago;

- United States treasury bills and other non-interest bearing general obligations of the United States when offered for sale in the open market at a price below face value, so as to afford the Fund a return on such investment in lieu of interest;

- Tax anticipation warrants issued by the City of Chicago;

- Short-term discount obligations of the United States government or United States government agencies;

- Certificates of deposit in banks located within the City of Chicago;

  Certificates of deposit of national banks, fully collateralized at least 110 percent by marketable U.S. government securities and marked-to-market at least monthly;

- Bankers acceptance of bank holding companies and commercial paper of companies rated A1, P1 or the equivalent by two national rating agencies and maintaining such rating during the term of such investment;

- Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the city's tax-exempt debt obligations;

- Except where otherwise restricted or prohibited, a non-interest bearing savings account, non-interest bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the City Treasurer's office, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the Fund;

- Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; and

- Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds.

Section 5

INVESTMENT MANAGER ADMINISTRATION

BROKERAGE POLICY

RESOLUTION

Adopted May 25, 1993
Revised November 26, 2002
Revised June 23, 2005
Revised October 29, 2009
Revised March 24, 2011
Revised October 24, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board"), was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board recognizes a commitment to the success of minority owned businesses[3], female owned businesses[4] and businesses owned by a person with a disability[5] (collectively minority, women and disability business enterprise or "MWDBE")[6], and wishes to promote opportunities to MWDBE firms in the City of Chicago and within the State of Illinois (40 ILCS 5/1-109.1(7)); and

Whereas, the MWDBE brokerage firm and its operating members must be registered with the appropriate federal and state agencies and must have an established record of business performance through a history of having provided good execution and reporting services; and

Whereas, the Board supports the aims of the Equal Employment Opportunity Commission, and acknowledges the desirability of open access to competition on the part of MWDBE for the opportunity to provide brokerage services to the Fund (40 ILCS 5/1-109.1(7)); and

Whereas, while recognizing this initiative, the Board acknowledges its fiduciary responsibilities to the Fund regarding best price and execution for all brokerage business executed on behalf of the Fund (40 ILC/1-113.20).

[3] "Minority owned business" shall have the definition set forth in 30 ILCS 575/2(A)(3).
[4] "Female owned business" shall have the definition set forth in 30 ILCS 575/2(A)(4).
[5] "Business owned by a person with a disability" shall have the definition set forth in 30 ILCS 575/2(A)(5).
[6] "MWDBE" owners must, in addition to the definitions set forth in 30 ILCS 575/2(A)(3)-(5), have an interest in capital and earnings commensurate with his or her percentage of ownership.

THEREFORE, BE IT RESOLVED THAT,

The Board approves a policy of offering opportunities to MWDBE to provide brokerage business to the Fund. This policy, which is established to promote the efficient and continued operation of the Fund, is as follows[7]:

U.S. Equity Managers

Subject to best execution and where funds are not commingled, each active U.S. Equity manager shall:

A. Execute trades at an average per share cost not to exceed 3.5¢ per share.

B. If possible, direct 35% or more of the total commission dollars to MWDBE with a significant presence in Chicago, and preferably with an office located within the City of Chicago, or in the State of Illinois.

C. Submit a quarterly progress report, including:

   i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
   ii. dollar amount and percentage of total brokerage that is stepped out; and
   iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois.

D. If an U.S. Equity manager fails to comply with the above guidelines two quarters in a row, the U.S. Equity manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

Non-U.S. Equity Managers

Subject to best execution and where funds are not commingled, each active Non-U.S. Equity manager shall:

A. Except for dedicated Non-U.S. Small Cap and Emerging Market Equity mandates, execute trades at an average per share cost not to exceed 25bps per share.

B. For dedicated Non-U.S. Small Cap Equity and Emerging Market Equity mandates, execute trades at an average per share cost not to exceed 30bps per share.

C. If possible, direct 10% or more of the total commission dollars to MWDBE with a significant presence in Chicago and Illinois, and preferably with an office located within the City of Chicago, or in the State of Illinois.

D. Submit a quarterly progress report, including:

[7] The Board shall review its brokerage policy annually by March 31st of each calendar year.

i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
ii. dollar amount and percentage of total brokerage that is stepped out; and
iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois.

E. If a Non-U.S. equity manager fails to comply with the above guidelines two quarters in a row, the Non-U.S. equity manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

Fixed Income Managers

Subject to best execution and where funds are not commingled, each active Fixed Income manager shall:

A. If possible, direct 25% or more of the total commission dollars to MWDBE with a significant presence in Chicago, and preferably with an office located within the City of Chicago, or in the State of Illinois.

B. Submit a quarterly progress report, including:

i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
ii. dollar amount and percentage of total brokerage that is stepped out;
iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois; and
iv. The Fixed Income manager’s process and assumptions in estimating trading costs.

C. If a Fixed Income manager fails to comply with the above guidelines two quarters in a row, the Fixed Income manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

SECURITIES LENDING POLICY

Adopted June 19, 1993
Revised September 30, 1995
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board, as fiduciaries, may lend securities owned by the Fund to a borrower provided that during the period of such loan, the Fund shall retain the right to receive, or collect form the borrower, all dividends, interest rights, or any distributions to which the Fund would have otherwise been entitled (40 ILCS 5/5-187.1); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Securities lending activities for the Fund shall be administered by the Fund's custodian or securities lending agent, as applicable, who is responsible for all recordkeeping, monitoring and reporting of loans of the Fund's securities.

- The Board may delegate the investment of collateral cash received from securities lending activities to the custodian or securities lending agent, as applicable. The custodian or securities lending agent, as applicable, may invest in:

    - Short-term obligations of companies whose commercial paper is rated A1, P1 or the equivalent by at least two national rating agencies;

    - Short-term obligations (up to 15%) that the custodian or securities lending agent, as applicable, classifies as second-tier;

    - Short-term obligations of banks whose certificates of deposit are rated A1, P1 or the equivalent by at least two national rating agencies;

    - Short-term obligations (up to 15%) that the custodian or securities lending agent, as applicable, classifies as second-tier;

    - Short-term obligations of the United States government or its agencies,

    - Repurchase agreements;

  - Money market mutual funds; and
  - The Northern Trust's Short Term Investment Fund (STIF) for Employee Benefit Trusts.

- The custodian or securities lending agent, as applicable, shall maintain a list of eligible borrowers in the securities lending program. The Fund's staff shall give the custodian or securities lending agent, as applicable, written authorization as to which borrowers the custodian or securities lending agent, as applicable, may lend the Fund's securities. The Fund's staff may revoke authorization to lend to a certain borrower at any time by giving the custodian or securities lending agent, as applicable, notice of such change.

- All loans shall be collateralized and marked to market daily as agreed by the two parties and set forth in the securities lending agreement.

- Revenues received from such securities lending shall be proportionately divided between the Fund and the custodian or securities lending agent, as applicable, agreed upon by the two parties.

- The time period for which the securities may be loaned shall not exceed one year.

- The Fund may withdraw from the securities lending program at any time by giving the custodian or securities lending agent, as applicable, written notice.

INVESTMENT MANAGER SELECTION POLICY

Adopted June 23, 2005
Revised October 29, 2009
Revised July 25, 2011
Revised November 17, 2014
Revised July 27, 2015

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)); and

Whereas, it is and continues to be the intention of the Board to administer a portion of the Fund's assets in compliance with the declared public policy of the State of Illinois, to wit: to encourage the trustees of public employee retirement systems to use emerging and minority investment managers in managing their system's assets 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 of emerging and minority investment managers in investment opportunities afforded by those retirement systems (40 ILCS 5/1-109.1(4) and (9)); and

Whereas, it is also the intention of the Board, within the bounds of financial and fiduciary prudence, to afford opportunities for managing the Fund's assets to Illinois emerging and minority investment management firms; and

Whereas, it is the intention of the Board, in the event of the funding or termination of an investment manager, or a transfer of assets, that the Fund utilize transition investment management services. To this end, the Board has retained and delegated ongoing transition investment management authority to investment managers acting in a fiduciary capacity to the Fund, and such transition investment manager selection for specific transition events is based on the ability of the transition investment manager to minimize the costs and risks associated with such events; and

Whereas, it is the intention of the Board that during such interim periods wherein there may be, or are, funds and assets that periodically are not under the management and supervision of transition investment managers or investment managers, including during any transition of investment management services or rebalancing of assets, that in accordance with Section 1(b) of 40ILCS 5/1-109.1, the Fund's Executive Director or Chief Investment Officer, as fiduciaries, take such actions they deem necessary and prudent, including the executing of contracts and trading of securities and the Fund's assets, until such funds and assets are transitioned to a transition investment manager or under the management of an investment advisor, as the case may be, or the rebalancing of assets has taken place.

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board to use emerging investment management firms, as defined in 40 ILCS 5/1-109.1(4), and minority investment management firms, as defined in 40 ILCS 5/1-109.1(9), to the greatest extent feasible within the bounds of financial and fiduciary prudence, which among other things shall be achieved through consultation and pursuant to the advice of the Fund's investment advisors.

It shall be the policy of the Board to ensure that no barrier exists to the full participation of emerging and minority investment managers in the investment opportunities afforded by the Fund. The Board shall attempt to achieve full participation of emerging and minority investment managers as follows:

(1) The Fund's investment advisor shall include in any investment manager search no less than three qualified emerging or minority management firms to provide the investment product or strategy sought, and if less than three qualified emerging or minority investment management firms are recommended, the investment advisor shall notify the Board of the reason(s) for the non-inclusion. A qualified manager is defined as one who meets the selection criteria upon which the search is organized; and

(2) The Fund's investment advisor shall annually advise the Board of the emerging and minority investment managers that have been added to the database used by the investment advisor in the conduct of searches; and

(3) The Fund's investment advisor shall include in all manager searches no less than three Illinois firms that provide the investment product or strategy sought. If less than three qualified Illinois firms are recommended, the investment advisor shall notify the Board of the reason(s) for the non-inclusion. An Illinois firm is defined as one registered to do business, and having a principal office in the State of Illinois; and

(4) The Board shall take significant steps to contract with minority owned businesses[8], female owned businesses[9] and businesses owned by a person with a disability[10] (collectively minority, women and disability business enterprise or "MWDBE")[11] through one or more of the following relationships: retaining qualified MWDBE firms directly as active or passive portfolio managers as a result of a generalized or special search, or retaining a consultant to assemble a portfolio of MWDBE firms on a fully discretionary and/or collaborative basis and or through a fund-of-fund structure.

It shall be the policy of the Board, always mindful of its fiduciary obligation to its past, present and future annuitants, to strive to achieve the following goals[12] in awarding investment manager contracts:

By Asset Class (for Emerging Investment Managers)	Range	
	Low	High
Equity	7%	9%
Fixed Income	2%	4%
Alternatives	3%	4%

[8] "Minority owned business" shall have the definition set forth in 30 ILCS 575/2(A)(3).
[9] "Female owned business" shall have the definition set forth in 30 ILCS 575/2(A)(4).
[10] "Business owned by a person with a disability" shall have the definition set forth in 30 ILCS 575/2(A)(5).
[11] "MWDBE" owners must, in addition to the definitions set forth in 30 ILCS 575/2(A)(3)-(5), have an interest in capital and earnings commensurate with his or her percentage of ownership.
[12] The percentage goals are based on the Fund's total dollar amount of the investment manager contracts. The Board shall review these goals annually by June 30th of each calendar year.

By Asset Class (for Minority Investment Managers)	Range	
	Low	High
Equity	2%	4%
Fixed Income	0%	2%
Alternatives	0%	1%
By Asset Class (for Emerging and Minority Investment Managers-TOTAL)	Range	
	Low	High
Equity	11%	13%
Fixed Income	3%	5%
Alternatives	4%	5%
By Category (for Emerging Investment Managers)	Range	
	Low	High
Minority-owned	4%	5%
Women-owned	1%	2%
Person with disability-owned	0.25%	0.5%
By Category (for Minority Investment Managers)	Range	
	Low	High
Minority-owned	2%	4%
Women-owned	0%	1%
Person with disability-owned	0%	0.25%
By Category (for Emerging and Minority Investment Managers)	Range	
	Low	High
Minority-owned	4%	5%
Women-owned	1%	2%
Person with disability-owned	0.25%	0.5%

It shall be the policy of the Board, once it determines to select a manager(s) for hire, to make a motion in open session to retain the services of such manager(s) subject to finalization of the contract to the satisfaction of the Executive Director, Chief Investment Officer and Board Counsel.

It shall be the policy of the Board that the Executive Director or Chief Investment Officer, once negotiations are complete, to notify the Chairman of the investment committee that a contract(s) has been approved for retention. At that point, should transition investment management services be needed to fund such commitment, the Board further hereby delegates authority to and does direct the Executive Director or Chief Investment Officer to work with the Board's investment consultant to obtain transition investment management services. At the discretion of the Executive Director or Chief Investment Officer, a bid process may or may not be used depending on the transition needs of the Fund at the time of the proposed action.

The Board further hereby delegates authority to and does direct the Executive Director or Chief Investment Officer, once a new mandate has been funded in whole or in part, to report to the Board in open session, the pertinent terms of the agreed to contractual relationship, the manner in which such mandate was funded in whole or in part, and any other details deemed appropriate. The Board, in enacting this aforementioned policy, understands that its fiduciary responsibility can best be met by closing any investment activity from public scrutiny until such time as the Fund's staff has been able to execute Board investment initiatives, and once complete, a full report in open session shall be reported by the Fund's staff for the public record.

It shall be the policy of the Board, once it determines to terminate a manager(s), to make a motion in open session to terminate such manager(s). Further, the Board hereby delegates authority to and does direct the Executive Director or Chief Investment Officer, once the transfer of assets from such terminated manager(s) has been completed, to report such fact to the Board in open session.

It shall be the policy of the Board that the Fund's Executive Director and Chief Investment Officer shall have authority to execute contracts, upon completion of a legal review of any such contract, and trade securities and the Fund's assets during any interim periods, which period should not exceed 45 days, wherein there may be, or are, funds and assets that are not under the control and supervision of the transition investment managers or investment managers, or the rebalancing of assets is being implemented. The Board hereby delegates authority to and does direct the Fund's Executive Director or Chief Investment Officer, as fiduciaries, to take such actions they deem necessary and prudent, including the executing of contracts and trading of securities and the Fund's assets, during any such above-described interim periods.

It shall be the policy of the Board that all investment managers shall comply with all statutes currently applicable to the Board and the Fund, as may be amended, supplemented, or added from time to time.

INVESTMENT MANAGER MEETINGS (PROCEDURES FOR CONDUCTING)

Adopted November 21, 1989
Revised May 17, 2002
Revised April 22, 2010
Revised November 17, 2014
Revised August 1, 2017

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT

It shall be the policy of the Board that the Chief Investment Officer shall endeavor to meet with each of the Fund's investment managers on an annual basis, but no less than biennially. The Chief Investment Officer shall report the results of such review to the Board in a timely manner. When deemed necessary by the Chief Investment Officer and/or investment consultant, investment managers will be brought in front of the Board for a formal presentation. The presentation should contain the information stated below.

- Organization and Product Overview. The investment manager shall provide a brief overview of the current and historic ownership, management, and senior level staffing of its organization. The investment manager shall also disclose its current assets under management, the number of clients it serves, and the number of investment professionals it employs. Further, the investment manager shall provide information regarding any change in the ownership and/or management structure of its firm in the past three years.

- Performance. The investment manager shall provide data comparing the performance of the portfolio it manages on behalf of the Fund with the agreed-upon benchmark ("Performance Data"). The Performance Data should be shown on a calendar quarter basis, net of fees, with annual and cumulative (3-year, 5-year, and since inception, as applicable) summaries and should also include a comparison of the relevant portfolio characteristics of the asset(s) that it manages on behalf of the Fund with the portfolio characteristics of the agreed-upon benchmark. All Performance Data should be as of the most recent calendar quarter-end. The investment manager may also provide more current up-to-date Performance Data as supplemental information.

- Client and Personnel Turnover. The investment manager shall provide the number and size of all accounts it gained or lost in each of the last three years. The investment manager shall also provide the names of all investment professionals who either joined or left its firm in each of the last three years, who were involved in the investment decision-making process, research or client servicing function. In addition, the investment manager shall detail any other information about its staff that the Board would consider material, such as reassignments of responsibility, prospective additions, etc.

- Investment Guidelines. The investment manager shall provide an affirmative statement that the portfolio it manages on behalf of the Fund has been in compliance with all Board policies and guidelines. If there have been any violations, the investment manager shall disclose the violation and how it was resolved. Further, the investment manager shall describe the compliance process it employs to insure adherence to its internal policies and guidelines and identify any provisions in the Fund's current investment policies and guidelines or benchmarks that constrain or impair its investment process. If the investment manager identifies any such constraints or impairments, it should suggest alternatives.

- Trading Practices. The investment manager shall provide a report on its firm's trading practices including:

    - A description of its trading practices and personnel;

    - A list of all broker/dealers used over the past 12 months, the amount of trading executed with each and the average commission cost for each;

    - For its firm as a whole, a complete report of all services received from broker/dealers (including any third-party services or material services) paid for with commissions (either by "paying up" or through formal soft dollar arrangements), and the dollar value of all items (cost of item or soft dollars spent on its acquisition). The investment managers shall also identify what portion of this amount is borne by the Fund's account.

    - A report of all directed brokerage activity for the Fund's account over the past 12 months. The investment manager shall include a clear statement regarding whether it believes this practice has negatively impacted the portfolio's net performance.

- Regulatory and Legal Issues. The investment manager shall report on any and all litigation involving its firm or any of its investment professionals. Its report shall include any SEC (or other regulatory agency) actions, suits, sanctions, citations, or censures and shall also mention any other events that the Board would consider material.

- Additional Information. The investment manager shall provide any additional information or material that it feels would help the Board to understand its firm, its investment management team, its investment philosophy, the outcomes, the economy, or the market environment.

- Topical Subject. From time to time, the Board may ask the investment manager to spend 15-20 minutes covering a topic of general interest as an educational session with the Board. The investment manager shall feel free to suggest possible topics to the Fund's consultant.

- Materials. The Fund's office should receive the investment manager's presentation materials a minimum of 7 days before the Board's meeting for distribution to the Board. Additionally, copies of the investment manager's presentation materials should be sent to the Fund's consultant.

RESTRICTIONS ON INVESTMENTS

ASSAULT WEAPONS

Adopted January 31, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board that, subject to an investment manager's exercise of its fiscal and fiduciary duty, all investment managers shall refrain from purchasing or holding securities of an assault weapons manufacturer if the investment manager determines that the same investment goals concerning risk, return and diversification can be achieved through the purchase or holding of another security.

For purposes of this policy, "assault weapon" shall mean a weapon identified as an assault weapon the civilian possession of which is prohibited by the Municipal Code of Chicago or the laws of the State of Illinois and "assault weapons manufacturer" shall mean any entity that derives revenue from the sale of such prohibited assault weapons for civilian use.

These provisions governing restrictions on investment expire, by their terms, on January 1, 2015, unless extended by further Board action.

INVESTMENT MANGERS WATCH LIST TRIGGERS

Adopted January 31, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board to place the investment manager on the Fund's "Watch List" and to take such other action described more fully below, if the investment manager fails to satisfy the Board with respect to the following qualitative and quantitative factors:

<u>Qualitative Factors</u>

Deviation from stated investment style and philosophy: The investment manager shall be placed on the Fund's Watch List and shall further be terminated if the investment manager's investment style and philosophy is no longer consistent with its initially stated objectives.

Changes in ownership/business plan: The investment manager shall be placed on the Fund's Watch List, if the Board determines that such change may detrimentally affect its performance.

Client Servicing: The investment manager shall be placed on the Fund's Watch List, if service deterioration inhibits its ability to monitor the Fund's assets and shall further be terminated if the issue is not resolved.

Key personnel turnover: The investment manager shall be placed on the Fund's Watch List and shall further be terminated if key personnel turnover may impair the firm's investment capabilities.

Material change in clients AUMs: The investment manager shall be placed on the Fund's Watch List, if the Board determines that such change may detrimentally affect performance.

Advent of material litigation: The investment manager shall be placed on the Fund's Watch List, if the nature, seriousness, and likely impact of the charges against the firm and investment product warrant it.

Failure to comply with investment guidelines, investment policy, ethics policy, or rules and regulations: The investment manager shall be placed on the Fund's Watch List and shall further be terminated depending on the seriousness of the breach.

Deterioration in Consultant's qualitative score: The investment manager shall be placed on the Fund's Watch List, if the Fund's consultant determines that the deterioration reflects factors that may detrimentally affect performance. Examples of such factors include: staff changes, ownership changes, and deviations from the investment process.

Quantitative Factors

Deterioration in Consultant's quantitative score: The investment manager shall be placed on the Fund's Watch List, if the Fund's consultant determines that the investment manager's current performance (absolute and risk adjusted) is inconsistent with historical performance of the product and the investment manager's investment philosophy.

PROXY VOTING POLICY
Adopted [ ]
Revised July 2009
Revised November 17, 2014

Proxy Voting

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, 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 a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board, and the Board, consistent with its previous written instructions to its investment managers, hereby delegates authority to and does direct that its investment managers vigorously vote all proxies solely in the best interests of the Fund's plan beneficiaries. Proxy voting activities shall be monitored by the Fund's staff. It shall be the policy of the Board, and the Board, consistent with its previous written instructions to its investment managers, hereby delegates authority to and does direct that, as part of the monitoring process, all investment managers provide the following information during the annual review process or upon request regarding the investment manager's proxy voting activities:

1. The investment manager's current proxy voting policies;

2. A summary and detailed records of all proxies voted;

3. A statement indicating whether the investment manager voted in conformance with its proxy voting guidelines; and

4. A statement indicating whether the investment manager voted in the best interests of all Fund participants.

The Fund's staff shall review the investment manager's reports to determine if the investment manager's actions are in compliance with the Fund's instructions and the investment manager's policies. The Fund's staff shall report the findings of the review annually to the Board.

(This page left blank intentionally.)

Section 6

INVESTMENT MANAGER GUIDELINES

U.S. EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
DENALI ADVISORS, LLC.
LARGE CAP VALUE EQUITY STRATEGY
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted November 30, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Securities must be listed on the New York Stock Exchange, American Stock Exchange or the NASDAQ and registered with the Securities and Exchange Commission.

3. No security may represent more than 10% of the market value of the portfolio. Positions should be in issues with sufficient float so as to facilitate, under most market conditions, prompt sale without severe market impact.

4. The portfolio will not hold more than 1% of a single issuer's total outstanding equity capital and may not invest in shares of any company where the Portfolio Manager holds greater than 5% of the issuer's total outstanding equity capital across the aggregate of all client accounts.

5. The percentage of the portfolio (based on market value) in any one sector shall not exceed the greater of 2x the weight of that sector in the benchmark or the benchmark sector weight plus 5% (five percentage points).

6. A maximum of 5% of the portfolio may be held in cash.

If market price movements cause the portfolio to violate any of these guidelines, the Portfolio Manager will have 30 days to move the portfolio back into compliance

Investment Objective

1. To exceed the annualized rate of return of the Russell 1000 Value Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking within a universe of managers with a similar large-cap value style.

INVESTMENT GUIDELINES FOR
FISHER INVESTMENTS
SMID CAP VALUE US EQUITY
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted February 28, 2013

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised [September 25, 2012].

The benchmark for the portfolio will be the Russell 2500 Value Index (the "benchmark").

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Adviser should invest primarily in equity securities of issuers domiciled in, or organized under the laws of, the countries that comprise the benchmark.

3. For the purposes of these policies and guidelines, equity securities include common stocks, securities convertible into common stocks, preferred stocks, warrants, and rights to subscribe for common stocks, and exchange traded funds (ETFs).

4. The portfolio may hold up to 60% in securities outside the market cap range of the Russell 2500 Value Index.

5. The portfolio will be well diversified and will typically contain 60-100 issues.

6. Aggregate equity securities will comprise approximately 80% to 100% of the portfolio's market value. Cash equivalents may be held to a maximum of 20% of the portfolio's market value.

7. No individual security will have a weight in the portfolio greater than 5% at market.

8. Maximum exposure to any one sector will be based on the benchmark and will fall within the following ranges at market value:

   - if the benchmark weight is between 0-10% the maximum portfolio weight is the benchmark weight plus 20%

   - if the benchmark weight is greater than 10% the maximum portfolio weight is three times the benchmark weight

9. Individual ETF positions will be limited to 10% each of the portfolio at market value.

10. Average annual portfolio turnover will generally not exceed 60%.

11. Prohibited transactions include the following:
    - investments in non-marketable securities
    - private equity securities

- private or direct placement securities
- commodities
- real estate investment (REITs are permitted)
- short sales
- margin purchases
- securities lending
- options or other derivative securities
- Futures may be used for the sole purpose of hedging portfolio cash flows.
- The use of any form of derivative security or investment strategy that leverages the portfolio is prohibited.

Rebalancing

The maximum investment limits set forth above that are based on market value will be corrected within 5 business days. If market fluctuations cause the investments to fall within such maximum investment limits within such 5-business day period, no corrective action may be necessary.

Investment Objective

1. To exceed the annualized rate of return of the Russell 2500 Value Index, net of fees, over reasonable three-year rolling periods.

2. To achieve an above-median ranking, net of fees, within a universe of managers with similar small/mid-cap value style.

INVESTMENT GUIDELINES FOR
GREAT LAKES ADVISORS
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted September 30, 1989
Revised April 26, 1990
Revised August 24, 1993
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Great Lakes Advisors is to invest the portfolio under management up to a maximum of 100% in common stock.

3. The manager shall be responsible for determining the amount of the portfolio's assets to be invested in stock and cash equivalents.

4. The investment manager will have full discretion in determining the level of diversification within the portfolio.

Investment Objectives

1. To exceed the rate of return of the S&P/BARRA Large Value Stock Index over reasonable measurement periods, net of fees. Prior to September 30, 1993, the performance benchmark was the Wilshire 5000 Stock Index. Prior to September 30, 1989, the performance benchmark was the S&P 500 Stock Index.

2. To achieve an above-median ranking within a universe of common stock funds.

INVESTMENT GUIDELINES FOR
HOLLAND CAPITAL MANAGEMENT LP
LARGE CAP GROWTH EQUITY STRATEGY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted December 30, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Investments are limited to equity securities of domestically listed companies that are traded on U.S. exchanges, American Depository Receipts (ADRs) and/or dollar-denominated foreign securities, cash equivalents and/or fixed income securities including short-term collective funds administered by the Custodian/Trustee, obligations issued or guaranteed by the U.S. government, federal agencies, and government sponsored entities, obligations of domestic commercial banks and bank holding companies, including commercial paper, bankers acceptances, certificates of deposit, time deposits, notes and bonds.

3. The portfolio is generally to be fully invested with 95%-100% in equity securities and no more than 10% in cash equivalents and/or fixed income securities.

4. No single market sector shall represent more than 30% of the market value of the portfolio, or its comparable representation of the Russell 1000 Growth index, whichever is larger.

5. No individual security holding shall constitute more than 5% of the market value of the portfolio, or its equivalent representation in the Russell 1000 Growth, index whichever is greater.

6. ADR's and/or other foreign U.S. dollar denominated common stocks and related equity securities traded on major U.S. stock exchanges or the U.S. over-the-counter market shall not represent more than 15% of the portfolio.

7. Prohibited transactions include the following:

   - investments in non-marketable securities
   - private equity securities
   - private or direct placement securities
   - commodities
   - real estate investment (REITs are permitted)
   - short sales
   - margin purchases
   - securities lending
   - options or other derivative securities (except futures)

8. Futures may be used for the sole purpose of hedging portfolio cash flows. The use of any form of derivative security or investment strategy that leverages the portfolio is prohibited.

9. Holland Capital shall direct the Custodian in the voting of all proxies on behalf of the Policemen's Annuity and Benefit Fund of Chicago.

Investment Objective

1. To exceed the annualized rate of return of the Russell 1000 Growth Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking within a universe of managers with a similar large-cap growth style.

INVESTMENT GUIDELINES FOR
MONTAG & CALDWELL
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted November 21, 1996
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Montag & Caldwell is to invest the portfolio under management up to a maximum of 100% in common stock.

3. The manager shall be responsible for determining the amount of the portfolio's assets to be invested in bonds and cash equivalents. The manager may invest in fixed-income securities of any maturity at any time in a percentage that is at the manager's sole discretion.

4. The investment manager will have full discretion in determining the level of diversification within the portfolio.

Investment Objectives

1. To exceed the rate of return of the Russell 1000 Growth Stock Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of common stock funds.

INVESTMENT GUIDELINES FOR
NORTHERN TRUST INVESTMENTS NTGI RUSSELL 1000
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted September 25th, 2012

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The portfolio will be invested in Northern Trust Collective Russell 1000 Index Fund – Non-Lending.

The portfolio shall be constructed to fully replicate the assigned index.

Administrative duties, such as custody of assets, security settlement, and dividend collection, are the responsibility of the portfolio manager.

Investment Objective

To match the rate of return of the Russell 1000 Stock Index, gross of fees.

INVESTMENT GUIDELINES FOR
WILLIAM BLAIR (SMID CAP GROWTH)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted October 28, 2004

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1. In accord with the applicable portions of the Pension Code, above referenced, the Adviser may invest in the following equity securities:

    - The common stocks are listed on a national securities exchange or board of trade or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
    - The Adviser may invest at least 80% of the assets in stocks of small and medium-sized domestic companies which have market capitalizations of $12 billion or less at time of purchase. Up to 20% of the assets may be invested in companies with market capitalizations greater than $12 billion or in cash equivalents.
    - The Adviser may invest up to 15% of the portfolio in American Depository Receipts or substantially similar instruments that are based on foreign securities or in securities exempt from registration under the Securities Act of 1933 such as rule 144A securities.

2. The Adviser may invest up to 10% of its portfolio in cash or cash equivalents.

3. Options, financial futures, private placements, or venture capital may not be purchased.

4. No single security in the Adviser's portfolio will comprise more than 5% of the portfolio's equity allocation at the time of purchase, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation.

5. The following investment activities are prohibited

    - Naked call options, puts or straddles
    - Futures or options except when acquired to hedge portfolio risk
    - Margin buying, short selling or any strategy or instrument involving the use of leverage
    - Over-the-counter derivative securities
    - Commodities and commodity contracts
    - Lease-backs and conditional sales contracts
    - Private Real Estate (publicly traded REITs are allowed)
    - Limited partnerships
    - Non-dollar denominated equity securities
    - Letter stock
    - Other investments with characteristics similar to those above

Investment Objectives

1. To exceed the annualized rate of return of the Russell 2500 Growth Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of managers with a similar small/mid cap growth style.

Section 7

NON-U.S. EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
ACADIAN ASSET MANAGEMENT LLC
Non-U.S. Equity Small Capitalization
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted February 28, 2013

The benchmark for the portfolio will be the MSCI EAFE Small Cap (the “benchmark”).

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

The Portfolio will principally invest in common stocks traded on equity markets. Also permitted:
Preferred shares, securities convertible into other equities, depository receipts, and other equity securities.
Limited partnerships, REITS, Canadian income trusts, units, unit trusts, rights and warrants.
All securities and security types included in the benchmark.
Forward currency contracts for the purpose of hedging currency fluctuations during settlement

Opportunistic currency hedging is allowed up to 50% of portfolio value.

The Portfolio will not:
Purchase securities on margin
Sell securities short
Use derivatives, including equity index swaps and equity index futures, unless specifically permitted above
Leverage the portfolio
Purchase 144A securities

The Portfolio will generally hold 5% cash or less. The limit may occasionally be exceeded due to contributions, withdrawals, or other special circumstances.

Markets included in the MSCI EAFE Small Cap index and Canada are permissible for investment. In addition, investment in countries not described above is permitted on an opportunistic basis up to 10% of portfolio value at time of purchase. A security’s country classification will be determined according to MSCI, or according to S&P if not covered by MSCI. If not covered by either, the country where it primarily trades or its country of domicile or incorporation will be used to determine the classification.

The holdings of any one issuer will generally not exceed 5% of the total portfolio value or twice the MSCI EAFE Small Cap benchmark weight for that issuer, whichever is larger. This guideline applies at time of purchase. This guideline excludes forward currency positions and securities issued by sovereign governments

Investment Objective

1. To exceed the annualized rate of return of the MSCI EAFE Small Cap Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of non-U.S. small cap managers.

INVESTMENT GUIDELINES FOR
ARTISAN PARTNERS
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005
Revised June 29, 2006
Revised January 28, 2008

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised on January 28, 2008.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The Account shall be invested at the discretion of Artisan Partners with regard to individual security selection, subject to compliance with the applicable standards under the Employee Retirement Income Security Act of 1974, as amended, and these guidelines.

3. Holdings will generally consist of publicly traded corporate equities (including common and preferred stocks, warrants, and ADRs) of companies domiciled or whose primary business activities or principal trading markets are outside the United States.

4. Holdings in emerging market countries (as defined by MSCI) will be kept to a maximum of 2X the emerging markets exposure of the MSCI All-Country World ex-U.S. Index.

5. The Account will generally be diversified across a minimum of eighteen (18) countries. The maximum allocation to any one country will not generally exceed thirty percent (30%) of the value of the Account.

6. Investment in any one industry will not generally exceed twenty-five percent (25%) of the value of the Account.

7. No single security will exceed five percent (5%) of the market value of the Account at the time of purchase.

8. The Account will not employ leverage, purchase securities on margin, sell securities short, purchase securities in private placements (except Rule 144A securities), or write or sell options.

9. Currency hedging may be utilized for defensive purposes to protect the Account's value in U.S. dollars but may not exceed 20% of the total market value of the Account.

10. The cash portion of the Account shall be invested in short-term investment funds to be designated by Client or Client's custodian from time to time. Cash will not generally exceed ten percent (10%) of the value of the Account.

11. The manager should select and weight international common stock investments in the account in order to achieve the highest possible long-term total rate of return while managing portfolio risk.

12. The Account may invest in listed or over-the-counter un-leveraged, equity-linked instruments; provided, however, that the Account will not invest (i) more than 10% of its total assets in such instruments, and (ii) more than 5% of its total assets in such instruments issued by a single counterparty (in each case measured at market value at the time of purchase).

Investment Objectives

1. To exceed the annualized rate of return of the MSCI All-Country World ex-U.S. Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of managers with a similar small/mid cap growth style.

INVESTMENT GUIDELINES FOR
EARNEST PARTNERS LLC
Emerging Markets Equity Strategy
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO (the "Fund")

Adopted 2013

These investment guidelines (the "Investment Guidelines") extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" (the "Investment Policy") as adopted and most recently revised February 28, 2013. In the event of any conflict between these Investment Guidelines and the Investment Policy, the Investment Policy shall control.

The benchmark for the Portfolio will be the MSCI Emerging Markets Index (the "Benchmark").

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Portfolio will principally invest in common stocks traded on equity markets. Appropriate investments include without limitation non-U.S. dollar denominated equity and equity-linked securities (including REITs) and U.S. dollar denominated foreign equity and equity-linked securities including exchange traded funds ("ETFs"), American Depository Receipts ("ADRs"), European Depository Receipts ("EDRs"), and Global Depository Receipts ("GDRs"). Also permitted:
    - Preferred shares, securities convertible into other equities, and other equity securities
    - All securities and security types included in the Benchmark
    - Forward currency contracts for the purpose of hedging currency fluctuations during settlement

3. The Portfolio will not:
    - Purchase securities on margin
    - Sell securities short
    - Use derivatives other than those specified above
    - Leverage the portfolio
    - Purchase 144A securities

4. Notwithstanding anything in these Investment Guidelines to the contrary, affiliated or unaffiliated mutual funds, investment funds, trust or other pooled investment vehicles may be used to establish market positions more efficiently than otherwise possible. No one fund will represent more than 7.5% of the gross assets of the total Portfolio. It is understood and agreed that some countries (e.g. China) may impose limitations and restrictions on the repatriation of capital. Each investment fund shall be subject to the provisions of its prospectus, trust deed and/or subscription documents applicable to the investment fund, as amended and supplemented from time to time.

5. Equity holdings in any one company should not exceed 7.5% of the total Portfolio, measured at market value.

6. Equity holdings in one sector should not exceed the greater of 35% of the total Portfolio or 1.5 times the sector's weight within the Benchmark, measured at market value.

7. Country allocations should generally not exceed the greater of 25% of the total Portfolio or 2 times the Benchmark weight, each measured at market value.

8. Not more than 10% of the total Portfolio, measured at market value, may be held in un-invested cash.

9. Restrictions on Investments - If the Fund does not provide the Advisor with a list in writing of the specific securities (e.g. the ticker symbols or CUSIP numbers of such securities) which are to be prohibited from being purchased in the Portfolio, then any securities to be prohibited from purchase in the Portfolio will be determined solely by the generic screening criteria of MSCI or other third party provider. In the event that the generic screening is utilized by the Advisor for the Portfolio (i.e. the Fund has provided guidelines for prohibited securities but not specific names of securities), the Fund acknowledges that the Advisor may, from time to time, as a result purchase securities for the Portfolio that the Fund may subsequently determine should be prohibited from further investing in the Portfolio. In such cases, the Fund must notify the Advisor in writing as to whether to sell such securities and/or to prohibit the further purchase of such securities in the Portfolio. The Fund agrees that the Advisor will be held harmless for any loses that may occur in the Portfolio with respect to securities that are purchased in the Portfolio by the generic screening that the Fund did not specifically list in writing as being prohibited.

Investment Objective

1. To exceed the annualized rate of return of the MSCI Emerging Markets Index, net of fees, over a full market cycle.

2. To achieve an above-median ranking, net of fees, within a universe of emerging markets managers over a full market cycle.

INVESTMENT GUIDELINES FOR
LAZARD ASSET MANAGEMENT LLC
Developing Markets Equity Strategy
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted 2013
Revised March 22, 2016

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised.

The benchmark for the portfolio will be the MSCI Emerging Markets Index (the “benchmark”).

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Portfolio will principally invest in common stocks traded on equity markets. Also permitted:
    a. Preferred shares, securities convertible into other equities, depository receipts, and other equity securities.
    b. All securities and security types included in the benchmark.
    c. Forward currency contracts for the purpose of hedging currency fluctuations during settlement

3. The Portfolio will not:
    a. Purchase securities on margin
    b. Sell securities short
    c. Use derivatives other than those specified above
    d. Leverage the portfolio
    e. Purchase 144A securities

4. Generally, no more than 5% of the Account will be invested in any single security (as measured at the time of purchase) with a maximum position of 7% in any single security (as measured at market)

5. Generally, the range of holdings will be between 60 and 90 securities of companies domiciled in countries included in the MSCI Emerging Markets Index, and which are of sufficient liquidity as well as companies that derive more than 50% of their net assets and/or sales from emerging markets countries.

6. The Account will hold no more than 10% of the outstanding securities of an issue

7. The Account will generally remain fully invested with no more than 10% of the Account’s total assets comprised of cash or cash equivalents

Please see next page of this document for minimum and maximum ranges for country and sector weights (as measured at the time of purchase).

Minimum and Maximum Ranges:

Sector	(%)
Consumer Discretionary	0-20
Consumer Staples	0-15
Energy	0-25
Financials	0-40
Health Care	0-10
Industrials	0-25
Information Technology	0-30
Materials	0-25
Telecom Services	0-25
Utilities	0-15
Country (%):	
Brazil	0-25
Chile	0-5
China	0-40
Colombia	0-5
Czech Republic	0-5
Egypt	0-5
Greece	0-5
Hungary	0-5
India	0-20
Indonesia	0-10
Malaysia	0-5
Mexico	0-15
Peru	0-5
Philippines	0-5
Poland	0-5
Qatar	0-5
Russia	0-20
South Africa	0-20
South Korea	0-25
Taiwan	0-20
Thailand	0-10
Turkey	0-15
United Arab Emirates	0-5
Other (aggregate)	0-10

Investment Objective

1. To exceed the annualized rate of return of the MSCI Emerging Markets Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of emerging markets managers.

INVESTMENT GUIDELINES FOR
UBS GLOBAL ASSET MANAGEMENT (INTERNATIONAL EQUITY)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted March 27, 1984
Revised August 21, 1984
Revised July 28, 1987
Revised September 30, 1989
Revised October 31, 1991
Revised June 23, 2005
Revised May 15, 2006

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised May 15, 2006.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The portfolio will not invest in any forbidden entity as defined by Illinois Public Act 094-0079.

3. UBS will construct a diversified portfolio that will typically hold between 100-200 securities. The only bias of the portfolio is toward stocks in which, according to the adviser, a material discrepancy exists between its market price and its intrinsic value.

Permissible Investments

1. Common or preferred shares of foreign corporations listed and traded on nationally recognized exchanges or over the counter markets.

2. Convertible bonds, debentures or preferred shares which are convertible into corporate stock.

3. Warrants or rights to equity securities.

4. Cash or cash-equivalent securities, including money market mutual funds and equivalent commingled funds; U.S. Treasury Bills; commercial paper; certificates of deposit; bankers' acceptances and repurchase agreements collateralized by US Treasury or Agency Securities.

5. SEC Rule 144A securities

6. The investment manager may engage in various transactions to hedge against currency risk. Forward contracts, futures and options may be used for currency hedging purposes.

7. The investment manager may use futures and exchange traded funds in order to equitize cash.

Prohibited Investments

1. Letter or restricted stock

2. Short sales of any type

3. Share purchases involving the use of margin

Portfolio Construction Guidelines

1. The portfolio will be diversified by sector, region, and country.

2. The maximum allocation to any one security will be limited to the greater of 5% of portfolio assets (at market value) or the issuer's benchmark (MSCI All Country World Ex-U.S. Index) weighting plus 5% of portfolio assets. Notwithstanding this limitation, no immediate liquidation of investment shall be required solely due to changes in market value.

3. Investment in emerging market companies will be limited to the greater of 25% or 2 times the emerging markets allocation in the MSCI All Country World Ex-U.S. Index.

4. The amount of cash and cash equivalents will not exceed 10% of the portfolio, except during periods of cash contributions and withdrawals.

If the manager breaches the portfolio construction guidelines due to market movements, it must notify the client regarding this matter.

Performance Measurement

1. The benchmark for this strategy is MSCI All Country World Ex-U.S. Index.

2. To achieve an above-median ranking within the Frank Russell Company universe of international stock portfolios.

INVESTMENT GUIDELINES FOR
WILLIAM BLAIR (INTERNATIONAL GROWTH)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005
Revised October 31, 2006
Revised April 20, 2007
Revised February 25, 2008

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised February 25, 2008.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. William Blair will invest in a growth-oriented, diversified portfolio that will typically hold between 140 - 200 securities. The firm's investment philosophy is to focus on companies with above-average growth prospects where growth can be sustained through leading or franchise positions in terms of proprietary products, marketing dominance, or cost/asset base advantage. Portfolio candidates typically have above-average prospective growth, evidence of sustainability of future growth, above average profitability and reinvestment of internal capital, and conservative capital structure relative to sector norms.

Permissible investments

1. Common or preferred shares of foreign corporations listed and traded on nationally recognized exchanges or over the counter markets.

2. Convertible bonds, debentures or preferred shares which are convertible into corporate stock

3. Warrants or rights to equity securities

4. Cash or cash-equivalent securities, including money market mutual funds and equivalent commingled funds; U.S. Treasury Bills; commercial paper; certificates of deposit; bankers' acceptances and repurchase agreements collateralized by US Treasury or Agency Securities

5. SEC Rule 144A securities

6. The investment manager may engage in various transactions to hedge against currency risk. Forward contracts, futures and options may be used for currency hedging purposes. The investment manager may hedge a maximum of 50% of the portfolio at market value.

7. The investment manager may use futures and exchange traded funds in order to equitize cash.

Prohibited Investments

1. Letter or restricted stock

2. Short sales of any type

3. Share purchases involving the use of margin

Portfolio Construction Guidelines

1. The portfolio will be diversified by region and country.

    - The minimum allocation to the UK, Europe ex-UK, and Japan, respectively, is 5% and the maximum allocation is 55%
    - The portfolio may invest a minimum of 5% of the portfolio up to a maximum of 35% in emerging markets companies

2. The portfolio will be diversified by sector as defined by the investment manager, with no individual sector representing over 35% of the portfolio, based on market value.

3. The maximum allocation to any one security is 5% of the portfolio (at market value). Notwithstanding this limitation, no immediate liquidation of investment shall be required solely due to changes in market value.

4. The amount of cash and cash equivalents will not exceed 10% of the portfolio, except during periods of cash contributions and withdrawals.

5. There are no market capitalization restrictions for securities in the portfolio.

6. If the manager breaches the portfolio construction guidelines due to market movements, it must notify the client regarding this matter.

Performance Measurement

1. The benchmark for this strategy is MSCI ACWI ex-US Index

2. A secondary benchmark is the MSCI ACWI ex-US Growth Index

3. To achieve an above-median ranking within the Frank Russell Company universe of international stock portfolios.

Section 8

FIXED INCOME MANAGERS

INVESTMENT GUIDELINES FOR
GAM
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Unconstrained Bond Fund, a commingled investment vehicle (the “Fund”)

Adopted April 17, 2015

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised April 17, 2015.

The primary benchmark for the portfolio will be the Three Month LIBOR (the “Benchmark”); however the Barclays Capital Aggregate may be utilized as a secondary benchmark.

Eligible Investments

As set forth in the Fund’s prospectus, as may be amended, modified or supplemented from time to time (the “Prospectus”):

The Fund, including through its investment in the Master Fund (as defined in the Prospectus), may invest in all types of bonds and currencies in any market, including emerging markets. These bonds, which may include mortgage and asset-backed related securities and structures, may have fixed or variable coupons, may be investment grade or sub-investment grade, rated or unrated, may be linked to equities or other asset classes (for example, convertible or exchangeable bonds), may have long or short tenor, may be denominated in any currency, and may be listed or unlisted, or exchange-traded or over-the-counter. Investment may also be made in shares of listed and unlisted collective investment vehicles, including closed-end funds whose investment universe is similar to that of the Fund, or to gain access to basic instruments in which the Fund may invest directly.

The Fund may also deal in derivatives either for investment or hedging purposes as the delegate investment manager deems appropriate. Derivatives may include, among others, futures contracts (including interest rate and index futures), swap contracts (including interest rate swaps, credit default swaps (CDS), for single issuers, CDS on indices, credit spread swaps, credit-linked total return swaps, currency swaps, inflation swaps, and total return swaps), contracts for differences, forward contracts (including foreign exchange contracts and interest-rate futures), options (including options on single issues, options on interest rate futures, options on interest rate swaps, interest rate caps and interest rate floors, options on CDS indices, options on currencies, options on single stocks, options on stock index futures, options on the implied volatility of stock indices, volatility swaps, and asset swapped convertible options), as well as derivatives on commodities, and insurance linked securities. The Fund may also use equity derivatives for hedging or portfolio enhancement purposes, for example, long put on equity securities when the Fund holds debt of the same company. The Fund may also use structured products including credit-linked notes, equity-linked notes, performance-linked notes, index-linked notes and other notes whose performance is linked to basic instruments in which the Fund may invest directly.

Duration

The typical average duration range of the Master Fund’s portfolio is expected to be between -3 years to +5 years.

Maximum Sector allocations (% of Market Value)

In general, the Master Fund will invest in line with the below sector allocation limits. The limits below are net long or short (including derivatives exposure) as a percentage of total long exposure, including cash, at time of purchase.

Sector	Maximum (%)
Developed Governments	65
Investment Grade	40
Emerging Markets	25
Convertibles	20
High Yield Credit	15

Variances from the sector allocation limits may occur due to several factors, including changes in the market environment. The Fund and Master Fund may retain cash and cash equivalents in appropriate circumstances. Such circumstance may include holding cash on deposit pending investment in order to meet a withdrawal.

Investment Restrictions

As set forth in the Prospectus:

Although the governing documents of the Master Fund do not contain any restrictions on the investment of its assets, under normal circumstances, the Master Fund typically will not:

(A) invest more than 20 per cent. of its gross assets (defined below) in the securities of any one issuer. This limit will not apply to securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD member state or by any supranational authority of which one or more EU or OECD member states are members and any other state approved for such purpose by the Irish Stock Exchange;

(B) invest in real property or physical commodities;

(C) take or seek to take legal or management control of the issuers in which it invests;

(D) expose more than 20 per cent. of the value of its gross assets to the credit-worthiness or solvency of any one counterparty;

(E) allow its Value at Risk (defined below) to exceed 2.5 per cent. of its Net Asset Value using a 97.5 per cent. confidence level and a one month horizon; and

(F) short sell physical fixed income securities, but may enter into derivative transactions to effect a "synthetic" short position.

The term "gross assets", mentioned above in (A), means the total value of all investments held by the Master Fund before deducting any liabilities, including borrowings.

The restriction referred to in (D) above will not apply to any transaction between the Master Fund and another counterparty (i) that advances full and appropriate collateral to the Master Fund in respect of the transaction or (ii) that (a) is trading on or subject to the rules of a recognized exchange or with counterparties that have (or whose parent company has) a specified credit rating, (b) is regulated by the CFTC or the FCA or such other regulatory authority as may be agreed by the Irish Stock Exchange and (c) has financial resources of US$20 million (or its equivalent in another currency).

The expression “Value at Risk”, mentioned above in (E), is a measure of the potential change in the value of a portfolio of financial instruments with a given probability over a pre-set horizon.

Except where specified to the contrary, the above restrictions apply as at the date of the relevant transaction or commitment to invest. Changes in the investment portfolio of the Master Fund will not have to be effected merely because any of the limits contained in such restrictions would be breached as a result of any appreciation or depreciation in value, or by reason of the receipt of any right, bonus or benefit in the nature of capital or of any scheme or arrangement for amalgamation, reconstruction or exchange or by reason of any other action affecting holders of the relevant investment. However, no further relevant securities will be acquired until the applicable restriction is within the appropriate limit. In the event that any of the investment restrictions referred to in (A), (B), (D) and (E) are inadvertently breached, the investment manager will take prompt corrective action to rectify the breach taking due account of the interests of the Shareholders. The restriction referred to in (C) above may not be breached at any time.

Although the Master Fund may invest directly in securities, the above restrictions will not prevent the Master Fund from investing indirectly through one or more wholly-owned subsidiaries or other vehicles where the Master Fund’s Board of Directors consider that such an investment would be commercially and tax efficient or provide the only practicable means of access to the relevant security or investment.

The Master Fund has the power to borrow to cover late subscriptions, facilitate redemptions and payment of expenses, including where not doing so would otherwise result in the premature realization of assets. Leverage may also be achieved by the Fund or the Master Fund through the use of derivative instruments.

Investment Objective

Over a longer term time horizon, to achieve an annualized rate of return of 3%-5% over the Benchmark.

INVESTMENT GUIDELINES FOR
LM CAPITAL GROUP, LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 26, 2006

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June, 2006.

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The portfolio will not invest in any forbidden entity as defined by Illinois Public Act 094-0079.

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Government bonds
- U.S. corporate bonds
- Mortgage-backed securities
- Asset-backed securities
- Bonds and preferred stock convertible into common stock
- Preferred stock
- Municipal bonds
- Structured notes
- Cash equivalents
- Closed end bond funds
- Derivative mortgage-backed securities
- Bonds of developed non-U.S. issuers
- Bonds of emerging non-U.S. issuers
- Fixed income and currency futures, options, forward contracts and swaps
- Private placement bonds
- Rule 144(a) securities
- Commercial mortgage-backed securities
- Capital notes/Preferred trust certificates
- Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed on the following page on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Security Type Qualifications

1. The Portfolio may buy and sell exchange-traded and over-the-counter interest rate, credit, index and currency futures; currency, interest rate, total rate of return, and credit default swaps; currency, bond, and swap options; currency and bonds for forward settlement and other derivative instruments for risk management purposes and in pursuit of the Portfolio's investment objectives.

2. Futures, options and forward contracts are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities.

3. Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.

4. Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality

1. The total fixed income portfolio will maintain a minimum average credit quality rating of A-. The rating used to determine the quality of the individual securities will be the median of the ratings supplied by S&P, Moody's, and Fitch.

2. A maximum of 5% of the portfolio may be invested in unrated securities. These unrated securities will be deemed investment grade quality by LM Capital Group's internal credit analysis group.

3. The minimum allowable rating for any security at the time of purchase will be B3/B-.

4. Any securities that are downgraded below the minimum credit rating described above may be held at the manager's discretion. Policemen's Annuity and Benefit Fund, City of Chicago will be notified in writing of all such downgrades and/or bankruptcies, including the reasons behind these events as well as the manager's retention plan for these securities within the immediate time horizon.

Duration

The portfolio may be invested in securities covering the full range of available maturities. The average weighted effective duration of the portfolio shall not vary by more than +/- 20% of the average weighted effective duration of the Barclays Aggregate Bond Index.

Concentration Limits (all limits refer to the total market value of the portfolio)

1. Up to 20% of the portfolio may be invested in issues rated below BBB/Baa2.

2. Up to 5% of the portfolio may be invested in issues rated below B/B2.

3. Up to 10% of the portfolio may be invested in issues rated below BB+/Ba1.

4. Up to 20% of the portfolio may be invested in U.S. Dollar-denominated emerging market securities.

5. UP to 10% of the portfolio may be invested in non- U.S. Dollar-denominated securities.

6. Up to 10% of the portfolio may be invested in Private Placements (excluding securities eligible for resale under rule 144A).

Diversification Requirements

1. No more than 25% of the Portfolio's assets may be invested in securities of issuers in any one industry excluding U.S. government and U.S. government agencies.

2. Obligations of other issuers or issues are subject to a limit of 5% of portfolio.

3. U.S. government, U.S. government agencies, or U.S. government-sponsored corporations and agencies, and obligations issued by other national governments may be held without limit.

4. The cumulative allocation to US High Yield, Non-US Dollar denominated bonds and emerging market debt shall not exceed 30% at any time.

Currency Hedging

LM Capital Group, LLC may engage in transactions to hedge against currency risks. Forward contracts, Futures and Options may be used for currency hedging purposes. LM Capital Group, LLC is not permitted to utilize these transactions for speculative purposes.

Prohibited Transactions

5. The portfolio shall not be invested in interest only or principal only securities.

6. The portfolio shall not be invested in mortgage residuals or direct real estate.

7. The portfolio shall not be invested in common stocks or commodities or derivatives thereof.

8. The portfolio shall not be invested in derivative instruments (including leveraged structured notes) except as authorized for currency hedging purposes.

9. No assets shall be committed to short sale contracts.

10. The portfolio shall not use leverage except for rolling mortgage pass-through securities.

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.

2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

2. The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

INVESTMENT GUIDELINES FOR
MACKAY SHIELDS LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Unconstrained Bond Portfolio

Adopted March 5, 2015

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised March 5, 2015.

The primary benchmark for the portfolio will be the Three Month LIBOR + 3% (the “benchmark”), however, the Barclays Capital Aggregate Index will be utilized as a secondary benchmark.

The Investment Manager is authorized to invest in the major fixed income markets with a focus on liquidity and capital preservation. 100% of the portfolio will be traded in U.S. dollars. The manager is allowed to invest in the following types of securities:

- those issued or guaranteed by the US or foreign governments;
- corporates issued by US or foreign corporations;
- obligations of international or supranational entities;
- municipal bonds;
- mortgage-related and other asset-backed securities;
- convertible bonds;
- variable or floating rate debt (including bank loans)

Minimum Credit Quality and Duration

Portfolio average credit quality must be BB+ or higher (as defined by S&P, Moody’s, or Fitch). For split rated securities the manager will employ the median rating (following the benchmark methodology).

Non-rated securities (MacKay Shields internal rating will apply) can be purchased up to 20% of the total market value of the portfolio

Duration must be between 0 to 7 years

Maximum Sector Ranges (% of Market Value)

Corporates	0 - 100%
High Yield	0 - 60%
Bank Loans	0 - 50%
Emerging Markets	0 - 40%
Convertibles	0 - 20%
Agency pass throughs/TBAs	0 - 100%
Non-agency MBS/CMBS/ABS	0 - 50%
Sovereigns/Treasuries/Agencies	0 - 100%
Municipals	0 - 25%

Ineligible Investments

- Stock Options
- Commodity Contracts
- Real Estate

Other Restrictions

- Use of leverage is not permitted
    - The following do not constitute leverage:
        - Futures notional exceeding 100% of the portfolio (i.e. futures notional constrained by duration limit of 0-7 years). Futures notional is limited to 300%.
        - Holding futures which are not 100% collateralized by cash and cash equivalents.
- Short sales are not permitted
- Futures contracts may be used for hedging interest rate risk
- Use of credit default swaps and total return swaps is not permitted

Investment Objective

1. To exceed the annualized rate of return of LIBOR + 3% and the Barclays Capital Aggregate Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of total fixed income managers.

INVESTMENT GUIDELINES FOR
MANULIFE ASSET MANAGEMENT
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO
Adopted December 15, 2014

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised December 15, 2014.

The benchmark for the portfolio will be the Barclays Global Aggregate Index (the “benchmark”).

The Strategy invests primarily in global debt securities and other fixed income and related instruments as deemed by the portfolio manager to be consistent with the investment objective. The Strategy focuses its investments in government, corporate and securitized debt securities and other instruments issued in developed and emerging markets countries, which may be denominated in U.S. dollars or other foreign currencies.

Subject to the restrictions outlined below, the Strategy invests in a variety of debt securities and other fixed income and related instruments, including, but not limited to, U.S. and foreign government, agency and corporate bonds, debentures and notes (including emerging market and high yield securities), mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, bank loans, variable and floating rate securities, inflation linked securities, stripped debt securities, zero-coupon securities, when-issued securities, privately placed unregistered securities (including Rule 144A with and without registration rights and Regulation S securities), municipal bonds and convertible securities.

The Strategy may invest in unrated securities, preferred stocks, real estate investment trusts and exchange-traded funds (“ETFs”), as well as commercial paper, cash and cash equivalents, and derivative instruments, all as deemed by the portfolio manager to be consistent with the investment objective.

The Strategy invests in foreign currencies and engages in other foreign currency transactions, such as currency forwards, options and exchange-traded futures, for investment or hedging purposes. The Strategy may also invest in interest rate futures and options that are traded on an exchange or over-the-counter (“OTC”) for investment or hedging purposes.

Investment Guidelines and Restrictions

Derivatives – Financial derivatives may be used to manage risk, provide diversification and enhance returns. The Strategy may engage in exchange-traded or over-the-counter (“OTC”) interest rate and currency futures and options as well as forward currency contracts. The Strategy employs a variety of derivative strategies with respect to specific portfolio holdings, the entire portfolio or to both. In implementing these strategies, the portfolio may enter into more than a single derivative transaction. With respect to managing foreign currency exposures, such strategies include “cross-hedging” and “proxy hedging.”

Leverage - When engaging in derivative transactions, the Strategy does not “borrow” or take on debt for the purpose of creating leverage. However, derivatives may provide the economic equivalent of leverage because they display heightened price sensitivity to market fluctuations.
Unless otherwise indicated, the limits and restrictions listed below are determined at time of purchase:

Average Credit Quality – The Strategy’s minimum average credit quality will be investment grade (BBB-/Baa3). The Strategy may invest in individual securities that are rated below investment grade or unrated. An individual security’s rating will be determined using the middle rating of Moody’s, S&P and Fitch. If only two of the three agencies rate the security, the lower rating is used. If an issue is not rated by one of these rating agencies, then the portfolio manager will determine a rating.

Duration/Interest Rate Exposure – The Strategy intends to maintain an effective duration of four years, which can fluctuate within a range of plus or minus two years.

Foreign Currency Exposure – The Strategy's net foreign currency exposure will be calculated as the sum of all non-U.S. dollar exposure achieved through the Strategy's debt securities and other fixed income and related instruments, currency forward contracts and currency futures.

> The Strategy's net foreign currency exposure will not be greater than the aggregate non-U.S. dollar currency exposures of the Strategy's debt securities and other fixed income and related instruments nor will it be lower than 0% (i.e., a net short exposure to non-U.S. dollar currencies).

> In managing the risks of the overall Strategy, the portfolio management team will have discretion to invest in currency options.

Issuer Exposure – The Strategy's maximum exposure to any one issuer, as determined by the portfolio manager, is 5% of total assets. The U.S. Government or its Agencies, the central governments of foreign countries in which the Strategy may invest, and fixed income securities issued by supranationals backed or jointly owned by more than one national government, are not subject to this individual issuer limitation.

Foreign Government Exposure – No more than 25% of the Strategy's total assets will be invested in government securities of any one foreign country.

Emerging Markets Exposure – The Strategy's maximum exposure to securities issued in emerging markets, as determined by the portfolio manager, including those denominated in developed and local currencies, will be 40% of total assets.

> Individual emerging markets country exposure, as determined by the portfolio manager, will be limited to 10% of total assets.

High Yield Corporate Exposure – The Strategy's maximum exposure to securities issued by corporations rated below investment grade, including bank loans, convertibles and preferred stocks, is 50% of total assets.

Corporate Industry Exposure – The Strategy's maximum exposure to any one industry, as defined by the Bloomberg Level 2 sector classification, is 25% of total assets.

Mortgage-Backed and Asset-Backed Securities – The Strategy's maximum exposure to residential mortgage-backed, commercial mortgage-backed and asset-backed securities combined is 40% of total assets.

Preferred Stocks – No more than 10% of the Strategy's total assets will be invested in preferred stocks.

Common Stocks – The Strategy will not acquire any equity securities, except for permitted investments in preferred stock. The Strategy will not invest in common stocks except those acquired as a result of holding debt securities and/or other corporate action events. The Portfolio's maximum exposure to common stocks is 10% of total assets.

Private Placements – Private placement debt, excluding Rule 144A (with and without registration rights) securities and Registration S securities, may not exceed 10% percent of the Strategy's total assets.

Cash – Under normal market conditions, the Strategy seeks to be fully invested and the Strategy's cash balance, excluding short-term, cash equivalents backing futures, swaps or forwards, will be less than 10% of its total assets. In abnormal market conditions, the Strategy may temporarily invest extensively in short-term, cash-equivalent securities.

Investment Objective

1. To exceed the annualized rate of return of the Barclays Global Aggregate Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of core-plus fixed income managers.

INVESTMENT GUIDELINES FOR
WELLINGTON MANAGEMENT COMPANY LLP
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted May 25, 2004
Revised June 23, 2005
Revised April 26, 2006
Revised January 24, 2013

Guidelines

Notwithstanding anything in the next three paragraphs, or anything else in these Guidelines, to the contrary, the Advisor will at all times comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1. The Client will notify Wellington Management in the event amendments to these Guidelines are needed to conform to any changes in such provisions of law, the regulatory policies or any organizational documents applicable to the Client.

Any benchmark(s) or objective(s) specified herein are intended as targets only, and there is no assurance or guarantee that they will be met or that any particular investment result or return will be achieved.

Unless otherwise noted, all portfolio limitations and attributes are measured at the time of acquisition of each investment. If events outside of Wellington Management's reasonable control, including market movements, cash flows, or rating or index changes, cause the portfolio to be out of compliance with a limitation or attribute, Wellington Management will not be deemed to have breached these Guidelines, and may continue to hold the security but shall notify the Client of material non-compliance within a reasonable time.

Non-compliance with an investment guideline, limitation or portfolio attribute caused by Wellington Management's reasonable reliance on market data will not be deemed a breach of these Guidelines. Wellington Management shall notify the Client of any material non-compliance caused by reliance on market data, and the Client and Wellington Management shall determine the next appropriate steps.

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Government bonds
- U.S. corporate bonds
- Mortgage-backed securities
- Asset-backed securities
- Bonds and preferred stock convertible into common stock
- Preferred stock
- Municipal bonds
- Structured notes
- Cash equivalents
- Closed end bond funds
- Contingent Convertible Bonds ("CoCos")
- Derivative mortgage-backed securities
- Bonds of developed non-U.S. issuers
- Bonds of emerging non-U.S. issuers
- Fixed income and currency futures, options, forward contracts and swaps
- Private placement bonds
- Rule 144(a) securities
- Commercial mortgage-backed securities
- Capital notes/Preferred trust certificates
- Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed below on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Security Type Qualifications

1. The Portfolio may buy and sell exchange-traded and over-the-counter interest rate, credit, index and currency futures; currency, interest rate, total rate of return, and credit default swaps; currency, bond, and swap options; currency and bonds for forward settlement and other derivative instruments for risk management purposes and in pursuit of the Portfolio's investment objectives.
2. Derivatives Instruments are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities.
3. Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.
4. Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality

1. The total fixed income portfolio will maintain a minimum average credit quality rating of BB. For the purpose of determining credit ratings, if a security is rated by Moody's, S&P, and Fitch, the credit rating assigned will be the middle of the three ratings, without regard to the highest and lowest ratings. If a security is rated by any two of Moody's, S&P, or Fitch, the credit rating assigned will be the lower of the two ratings. If only one rating agency rates a security, that rating will be used. If an issue is unrated, then an equivalent credit rating, as determined by Wellington Management in good faith, may be used. In the case an internal equivalent rating is used, Wellington Management will notify the Client within a reasonable time.
2. Bonds rated investment grade by Fitch, Moody's, or Standard & Poor's must comprise at least 80% of the total portfolio.
3. The portfolio's below-investment grade holdings are limited to a maximum of 1% in any single issuer.

Duration

The average duration of the Portfolio ranges between +/- 25% of the average duration of the Index.

Non-U.S. Exposure

1. Up to 20% of the Portfolio's market value may be invested in issues denominated in currencies other than US dollars.
2. Non-US dollar currency exposure is at times entirely unhedged, partially hedged, or fully hedged, depending upon the investment outlook. Currency forwards, options, and futures are also employed to adjust and hedge the Portfolio's currency exposure. Within the limit of the 20% non-US dollar-denominated exposure the Portfolio may take currency positions unrelated to underlying portfolio holdings.

Emerging Markets

1. Obligations of issuers domiciled in Emerging Markets will be limited to 10% of the market value. Emerging Markets are defined as countries whose long-term foreign-currency sovereign debt rating is Ba1 and BB+ or below.
2. Not more than 1% of the portfolio will be held in bonds issued by any single entity domiciled in a country defined as Emerging Markets.

Additional Sector and Position Limits

1. To the extent that the portfolio holds an allocation to non-US dollar denominated non-investment grade emerging market bonds, that exposure shall also count against the total portfolio’s 20% high yield maximum and 20% non-U.S. maximum.
2. In total, the exposure to non- US dollar denominated investment grade, high yield domiciled in developed countries, and emerging market debt securities will not exceed 30%.
3. 144(a) securities shall not exceed 20% of the total portfolio.
4. Preferred stock and bonds convertible into common stock shall not exceed 5% of the total portfolio.
5. Excluding U.S. government and agency issues the portfolio is limited to a 5% allocation in any single investment grade U.S. issuer.

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.
2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

INVESTMENT GUIDELINES FOR
WELLS CAPITAL MANAGEMENT (MONTGOMERY)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted May 25, 2004
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines
The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Treasury and Agency bonds
- U.S. corporate bonds
- U.S. Government Agency pass-through securities (MBS) and TBAs
- Sequential and Planned Amortization Class collateralized mortgage obligations (CMOs)
- Commercial mortgage-backed securities (CMBS)
- A1P1 or A2P2 commercial paper
- Asset-backed securities
- Municipal bonds
- Cash equivalents
- Futures, options and forward contracts
- Rule 144(a) securities
- Commingled funds investing in fixed income securities (that do not violate portfolio guidelines)
- Dollar denominated

Risk Control

1. The use of short sales, margin purchases or leverage is prohibited.

2. Investments in mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues is prohibited. Examples of securities likely to qualify as “highly interest rate sensitive” include IOs, POs and inverse floaters.
   Securities convertible into common stock or other equity ownership are prohibited.

3. Private placement (excepting Rule 144(a) securities are prohibited.

Benchmark

The benchmark is the Barclays Brothers Aggregate Index (the “Index”).

Duration

Maintain an effective duration of plus or minus 10% of the benchmark.

Diversification

1. The Total Account will maintain a minimum average credit quality rating of A.

2. A maximum of 25% of the portfolio may be invested in BBB-rated securities.

3. At time of purchase, no issuer, except for U.S. Government and Agency issues, may be greater than the higher of (a) 3% above its weighting in the Index or (b) 3% of the Account's market value for securities outside of the Index.

4. Maximum of 5% of the portfolio value per issuer unless the issuer is the U.S. government or its Agencies, in which case there is no limit.

5. 144(a) securities shall not exceed 15% of the total portfolio.

6. With the exception of #7 below, at the time of purchase, all securities must have a minimum credit quality of BBB- (or comparable). If a security is downgraded below investment grade ("fallen angel"), the manager must communicate the downgrade and the expectation for sale or recovery in writing to the client and its consultant. The manager is not forced to sell upon a downgrade.

7. Up to 5% of the portfolio can be invested in securities rated below investment grade

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.

2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the core fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

2. The fixed income portfolio should be broadly diversified across markets, sectors, securities and maturities in a manner consistent with accepted standards of prudence.

Section 9

PRIVATE EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
ADAMS STREET PARTNERS U.S. PARTNERSHIP FUND
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

The Fund is invested in the Adams Street Partners U.S. Partnership Fund.

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The Fund will make commitments to private equity partnerships that will in turn typically invest these assets over a three- to four vintage year period.

3. No more than 10% of a participant's subscription to the Fund will be allocated to any one partnership investment.

4. Up to 40% of each participant's subscription to the Fund may be used to purchase interests in secondary private equity partnerships.

5. Typically 15-20 U.S. private equity partnership investments will be made during each year of the Fund's investment period.

6. The Fund will target the following allocations for partnership assets: venture capital (25-50%), buyouts (30-50%), and 'other' (including mezzanine/subordinated debt, restructuring/distressed debt and special situations partnerships) (10-25%).

7. Beginning in year eight, fees will be reduced to 90% of the regular fee, then 80% of the regular fee in year nine, 70% in year ten, etc.

Performance Benchmark -- The manager's performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
AIM (INVESCO) PRIVATE CAPITAL
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

20% of the total commitment from Chicago Police will be allocated to INVESCO U.S. Venture Partnership Fund IV, L.P., 60% to INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, L.P., and the remaining 20% to INVESCO International Partnership Fund IV, L.P.

<u>INVESCO U.S. Venture Partnership Fund IV, L.P.</u>

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The venture sector fund is expected to include both early stage and later stage partnerships.

3. The manager expects to invest a significant proportion of the capital in software, specialized semiconductors and communications enabling technologies, with a smaller amount flowing into medical and healthcare projects.

4. A typical holding is currently expected to average 5% of the sector fund's total commitments with no single partnership holding comprising more than 20% of the venture sector fund's portfolio.

5. The targets and expectations may vary depending on market conditions.

<u>INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, L.P.</u>

1. The buyout sector fund targets small and mid-sized U.S. buyout (50%), large U.S. buyout (30%), and U.S. expansion, distressed, turnaround and special situation groups (20%).

2. No single partnership holding would comprise more than 20% of the sector fund's commitments at the time of investment and the average commitment is currently expected to be 5% of the sector fund.

3. The targets and expectations may vary depending on market conditions.

<u>INVESCO International Partnership Fund IV, L.P.</u>

1. The international fund targets non-U.S. venture (20%) and non-U.S. buyout / corporate finance (80%). In addition, the manager is targeting 80% of the sector fund to groups focused on Europe and the remaining 20% to groups investing in Asia and Latin America.

2. No single partnership holding would comprise more than 20% of the sector fund and the average holding is expected to be 5% of the sector fund's portfolio.

3. The targets and expectations may vary depending on market conditions.

Performance Benchmark -- The manager's performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
MESIROW FINANCIAL PRIVATE EQUITY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

The Fund is invested in the Mesirow Financial Private Equity Partnership Fund (Fund-of-Funds).

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The Fund will make commitments to private equity partnerships over a three- to four vintage year period.

3. The Fund will allocate assets to venture capital (30-50%), corporate finance/buyout (30-50%), special situations – including mezzanine, industry-focused strategies, distressed and other (5-20%), and will also allocate a portion of the portfolio internationally (10-15%). In addition, limited, opportunistic purchases of secondary partnership interests will be permitted.

4. The Fund will be comprised of between 35-45 underlying managers.

5. The Fund will have an initial investment term of 12 years with three one-year extensions.

6. Beginning in year eight, fees will be reduced on an annual basis to 90% of the previous year’s fee.

Performance Benchmark -- The manager’s performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
MULLER & MONROE ASSET MANAGEMENT, LLC (“M^2” or “The Advisor”)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO (“PABF”)
Adopted June 23, 2005
Modified: January 24, 2011
PABF is invested in the following partnerships: Illinois Private Equity Fund-of-Funds, L.P. (“ILPEFF”), M^2 Private Equity Fund-of-Funds, L.P. (“MPEFF”)

COMMON PROVISIONS FOR ALL PRODUCTS:

1. The Advisor will comply with all the applicable provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

1. ILPEFF and MPEFF are focused exclusively on emerging managers following the guideline definition of emerging manager to include managers with less than $1.0 billion total assets under management. (contractual provision)

2. Portfolio construction will be driven by deal flow in the market during the investment period and M^2's internal due diligence process.

ILPEFF PROVISIONS:

1. ILPEFF made 14 commitments to Investee Funds.

2. ILPEFF targeted approximately 30% of assets towards earlier stage strategies (i.e. venture capital); the general partner is biased against very early stage venture partnerships.

3. Approximately 70% of assets are focused toward later stage strategies, including buyouts, special situations/distressed, and mezzanine. Approximately less than 11% of assets are mezzanine

4. 51% of assets were committed to minority or women managers. (contractual provision)

5. 49% of assets were committed to Midwest-based and Mid-west-focused managers (contractual provision).

MPEFF PROVISIONS:

1. MPEFF will make approximately 9 commitments to Investee Funds.

2. MPEFF will target approximately 1/3rd of assets towards earlier stage strategies (i.e. venture capital); the general partner is biased against very early stage venture partnerships.

3. Approximately 2/3 of assets will be focused toward later stage strategies, including buyouts, special situations/distressed, and mezzanine. Approximately less than 10% of assets will be mezzanine; approximately only 1 distressed manager 5-10% of assets if any; most of the investments in MPEFF will be middle market buyouts.

4. Some assets will be committed to minority or women managers but there is no contractual target.

5. Some assets will be committed to Midwest-based and Midwest-focused managers but there is no contractual target.

Performance Benchmark -- The underlying investee funds in the fund-of-funds portfolios will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

INVESTMENT GUIDELINES FOR
RCP ADVISORS, LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in RCP Fund VI, L.P. (Fund-of-Funds).

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to private equity partnerships over a three vintage year period.
- The Fund will allocate assets to buyout funds, with a specific focus on small- to middle-market managers. The Fund will also allocate a portion of the portfolio internationally (up to 30%). In addition, limited, opportunistic purchases of the equity securities of certain individual, privately-held companies will be permitted (5%).
- The Fund will allocate no more than 20% of the committed capital to one or more underlying funds which are managed by the same team or affiliates.
- The Fund will be comprised of between 12-15 underlying funds.
- The Fund will have an initial investment term of 12 years with three one-year extensions.
- The management fee will be 1.00% of committed capital. After year five, the management fee will decrease to 0.75% of committed capital. No management fee will be charged after year ten.

Performance Benchmark -- The manager's performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Venture Economics, Inc.

INVESTMENT GUIDELINES FOR
INVESCO VENTURE ALPHA FUND, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted August 1, 2017

The Fund is invested in Invesco Venture Alpha Fund, L.P. (Fund-of-Funds)

1. The Partnership will target funds focused on seed and early-stage investing, but may also pursue certain funds targeting later-stage investments.

2. The Partnership will make investments over a five year investment period.

3. The Partnership will target at least 80% of its investments in portfolio funds that invest primarily in U.S.-based venture capital investments and direct company investments into venture-backed companies. The Partnership may also seek to purchase investments in secondary transactions. Without the approval of the LPAC or a majority in interest of the LPs, the Partnership will not (i) invest more than 20% of aggregate Commitments in the securities of any one portfolio fund or any one portfolio company or (ii) invest more than 30% of aggregate Commitments directly in portfolio companies.

4. A typical commitment is not expected to exceed 5% to 10% of aggregate Commitments.

5. Subject to earlier termination, the Partnership's term will be 12 years, which may be extended automatically for consecutive one-year periods if the Partnership continues to hold interests in any portfolio fund or portfolio company. Thereafter, the term may be extended for additional one-year periods by the GP with the consent of a majority in interest of the LPs or the LPAC.

6. The management fee rate is (i) 50 basis points per annum for the first year, (ii) 75 basis points per annum for the second year, (iii) 100 basis points per annum for each of the next three years and (iv) during each year thereafter until final distribution, 90% of the prior year's management fee rate, but not below 40 basis points per annum. CPABF receives a 20% discount on each of (i)-(iv) above.

Section 10

PRIVATE CREDIT STRATEGIES

INVESTMENT GUIDELINES FOR
BEACH POINT SELECT FUND LP. (BEACH POINT)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all the applicable provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager shall use best efforts to comply with all applicable laws of the State of Illinois and the U.S., and any applicable governmental or regulatory authority outside of the U.S.

  The investment manager acknowledges and agrees it shall be a fiduciary with respect to the Fund for so long as the Fund is an investor.

- Investment Objective and Strategy: The investment fund's objective is to achieve attractive long-term returns with less-than-commensurate risk through a flexible, multi-strategy investment approach. The investment manager anticipates investing in a portfolio primarily consisting of high - yield securities and other credit-related opportunities, distressed and special situation investments, undervalued and event-driven equities and a variety of other securities and instruments and may take both long and short positions. This investment fund is expected to hold fewer and more concentrated positions than other investment funds and accounts managed by the investment manager.

  The investment manager may utilize leverage to enhance returns. The investment fund may also invest in cash and money market debt securities for defensive purposes from time to time.

- Investment Limitations Include: The Investment Management Agreement and the Partnership Agreement generally impose no limits on the types of securities or other instruments in which the investment fund may take positions, the choice of sectors or markets (U.S. or non-U.S.) within which it may invest, the type of positions it may take, the investment or trading strategies it may use, its ability to borrow or use other types of leverage or the concentration of its investments.

- Other Fees: The investment manager shall be reimbursed for various expenses as set forth in the Partnership Agreement including any fees, commissions, expenses or charges related to (i) custodial registrar or transfer agency services provided for the investments of the investment fund, (ii) transactions effected for the investments of the investment fund, (iii) any other service provided for the investments of the investment fund by any other party other than the investment manager and (iv) legal costs and other matters for which the investment fund's governing document permit the investment manager to be reimbursed.

INVESTMENT GUIDELINES FOR
BLUEPRINT CAP I, L. P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

- Compliance with Laws: The Investment Adviser acknowledged that it is a fiduciary as is required under the Illinois Pension Code, specifically 40 ILCS 5/1-113.14(c)(1). The Investment Adviser represented and warranted that it shall at all times act in accordance with the Illinois Pension Code (40 ILCS 5), including but not limited to the applicable provision set forth in sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 thereof.

- Investment Objective and Strategy: The investment fund will serve as a platform to facilitate investments through the purchase of interests in a series, generally in one or more dedicated managed account investment portfolios or "sub-funds," each managed by a third-party portfolio manager or "sub-advisor". The investment fund will invest in sub-funds, commingled vehicles and/or other investments. The investment objectives, strategies, fees, risks, certain relevant terms and other applicable considerations of any sub-fund will be set forth in such sub-fund's supplement.

- Target Performance: The investment fund will target a 5% yield.

- Term: The investment fund's term is perpetual and will continue until the date of dissolution and termination of the investment fund.

- Management Fee: The investment fund's management fee during the investment period is 0.50% of the capital commitment and after the investment period is 0.50% of the aggregate amount of investment contributions plus any unfunded capital commitment that has been allocated to an existing investment, less the portion of such investment contributions invested in investments that have been sold (and returned to the investors) or completely written off.

INVESTMENT GUIDELINES FOR
CRESTLINE OPPORTUNTY FUND III, LLC (CRESTLINE)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The Investment Adviser shall at all times use its commercially reasonable efforts to comply with the following provisions relating to the Article 1 and 5 of the Illinois Pension Code: 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221.

  The Investment Adviser hereby acknowledges that it is a fiduciary with respect to the Fund and shall manage and advise the Fund, taking into consideration the interests of the Members as a whole (without being required to take into consideration the particular interests of any one Member), in accordance with the Operating Agreement and the Investment Management Agreement in accordance with the standard of care, the standard of liability and the conflicts provisions set forth therein.

- Investment Objective and Strategy: The Fund will seek to achieve superior risk-adjusted returns over a finite period of time utilizing a flexible and opportunistic investment mandate that will tactically invest capital in order to seek to take advantage of market dislocations and inefficiencies through investments in (1) sectors the Investment Manager believes have been abandoned by traditional banks, (2) economic and market dislocations and (3) special situations. Fund investments will generally take the form of (a) corporate solutions (debt or structured equity investments in small and medium sized businesses), (b) asset based (lending against or purchasing a single asset or a portfolio of assets with a cash flow stream attached), (c) stressed/special situations (typically a debt investment or asset purchase of an underperforming company or undervalued asset) and (d) hedges and derivatives related to the foregoing investments (each such investment, an “Investment,” and collectively with all of the Fund’s other investments, indirectly through the Master Fund, the “Investments”). The Investments will consist of both debt and equity investments and will be primarily focused in the United States and Europe.

- Target Performance: 15%also note the PPM risk factor below, which applies to this.

- Investment Limitations Include: Unless the Advisory Committee otherwise consents, after the Final Closing Date no more than 15% of the Aggregate Commitments will be invested in any single Investment at the Master Fund level; provided that there is no limitation with respect to the Master Fund’s potential Investments in other private investment funds managed by the Investment Manager or an affiliate, provided that, in such case, no performance compensation or management fees would be charged by such funds to the Master Fund (i.e., there would be only one level of performance compensation and management fees paid to the Investment Manager or an affiliate of the Investment Manager, which would be paid at the level of the Master Fund).

- Term: The Fund’s term is expect to expire four (4) years after the expiration of the Investment Period, provided that the Board may, to allow for the orderly liquidation of Investments, extend the term of the Fund for up to three (3) successive twelve (12) month periods, and thereafter the term may be extended with the consent of the Advisory Committee.

- **Management Fee:** During the Investment Period, the Management Fee will be 1.5% per annum of an investor's commitment. After the Investment Period, the Management Fee will be 1.0% per annum of the net asset value attributable (based on pro rata indirect capital contributions to the relevant Investments) to the investor.

- **Preferred return:** 8% per annum on the investors outstanding unreturned Capital Contributions.

- **Carried Interest:** Catch-up of 100% to the Carry Vehicle so that after the application of the catch-up tranche, the Carry Vehicle receives distributions equal to 20% of all amounts distributed under the Preferred Return

INVESTMENT GUIDELINES FOR
DORCHESTER CAPITAL SECONDARIES OFFSHORE IV, L.P. (DORCHESTER)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges that it is a fiduciary with respect to the Fund.

- Investment Objective and Strategy: The investment fund's core strategy is to achieve capital appreciation, primarily by acquiring secondary interests in-hedge funds and similar open-ended pooled investment vehicles. However, the investment fund may also invest in closed-end pooled investment vehicles and/or side car or special opportunity investments, including direct investments, related to any such pooled investment vehicles when the opportunities arise. In addition to investment fund's investments in other pooled vehicles (and related side car/special opportunity investments), the investment fund will also invest assets in a "liquid" investment sleeve comprised of debt securities, money market instruments and/or interests in one or more investment companies or funds that invest in comparable investments.

  The investment manager may protect the economic value of the investment fund's interests in Hedge Funds and other assets through currency hedging, security hedging or other hedging strategies.

- Term: The investment fund's initial term shall last from July 1, 2016 to July 1, 2021, provided that the investment manager may extend such term in its discretion for two additional one-year periods, and may thereafter extend such term for three additional one-year periods with the consent of a majority in interest of the investment fund's investors.

- Investment Limitations Include: The investment fund may not invest more than 20% of the investment fund's aggregate commitments in Hedge Funds managed or sponsored by any one fund manager, provided that the investment fund may invest more than 20% of the investment fund's aggregate commitments in a "fund of funds" arrangement (other than an arrangement where the assets of the "fund of funds" are invested in underlying funds managed by an affiliated Underlying Manager) so long as the investment fund's indirect ownership in any underlying Hedge Fund held by a fund of funds does not exceed 20% of the investment fund's aggregate commitments.

- Management Fee: (i) during the investment period, 1.0% per annum of each investor's commitment, and (ii) thereafter, 0.75% per annum of each investor's capital account balance as of the last day of the prior calendar quarter, except that after July 1, 2021, the management fee for any calendar quarter shall be 0.5% per annum of each investor's capital account balance as of the last day of the prior calendar quarter.

- Preferred Return: 5% per annum, compounded annually.

- **Carried Interest:** After a 5% annually compounded preferred return, there is a 100% catch-up by the investment manager until the investment manager receives a 20% carried interest, and thereafter there will be an 80-20 split of profits between the Fund and the investment manager, respectively. The investment manager will not be paid a carried interest until all contributions of the investor plus the 5% annually compounded preferred return have been distributed to the investor.

INVESTMENT GUIDELINES FOR
MONROE CAPITAL PRIVATE CREDIT FUND II, L.P. (MONROE)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- **CPABF Commitment**: $20,000,000

- **Total CPABF drawn down Commitment**: $6,245,291

- **Management Fee Paid**: $0

INVESTMENT GUIDELINES FOR
VOYA CREDIT OPPORTUNTIES FUND (VOYA)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

The following summary contains figures that are current as of March 31, 2017.

- Compliance with Laws: The investment manager will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager shall act in accordance with all applicable laws of the State of Illinois and the United States of America, and any applicable governmental or regulatory authority outside of the United States of America. The investment manager acknowledges and agrees that it shall be a fiduciary with respect to the Fund for so long as the assets of the investment fund constitute "plan assets" for purposes of ERISA or Section 4975 of the Code.

- Investment Objective and Strategy: The investment fund's investment objective is to seek a high level of total return through a combination of current income and capital appreciation over a market cycle. The investment fund will seek to achieve its investment objective by investing in a portfolio comprised primarily of Senior and subordinated secured floating rate loans of non-investment grade U.S. borrowers, unsecured U.S. fixed rate debt securities of non-investment grade U.S. and foreign borrowers and U.S. residential mortgage-backed securities. In order to achieve its objective, the investment fund may also invest in a broad range of other debt securities and income-producing investments, including, but not limited to: investment grade debt securities, U.S. Treasury securities or futures, commercial mortgage-backed securities, interest rate swaps and other derivatives. Derivatives may be used for duration management, risk management and to take fixed income market and credit exposures. The investment fund intends to employ financial leverage to seek to achieve its investment objectives and enhance returns.

- Investment Limitations Include:

  - The investment fund will only have exposure through over-the-counter contracts to institutions which have a minimum credit rating of A2/P2 or equivalent;
  - The investment fund may also invest up to 50% of its net asset value in any one unregulated collective investment scheme;
  - Where the investment fund intends to invest more than 50% of the investment fund's net asset value in another regulated collective investment scheme, the supplement will be amended in advance of such investment;
  - The investment fund is expected to limit borrowings to 50% of the total net asset value of the investment fund. The investment fund will limit its use of leverage from reverse repurchase agreements, loans or lines of credit from banks or other credit facilities such that these borrowings will not exceed the lesser 50% of the investment fund's Net Asset Value or 100% of the investment fund's allocation to senior loans and CMO securities.

- Management Fee Paid: $42,528

- Performance Fee Paid: 0

Section 11

TACTICAL AND ALPHA STRATEGIES

Fund of Hedge Funds

INVESTMENT GUIDELINES FOR
ENTRUSTPERMAL PABF FUND LLC (ENTRUSTPERMAL)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges it is a fiduciary with respect to the Fund and specifically agrees to perform all of its duties and obligations as a fiduciary at all times.

- Investment Objective and Strategy: The investment fund's purpose is to invest in hedge funds that focus on one or more of the following strategies: fixed income, event driven, global macro, and opportunistic.

- Target Performance: The investment fund's target return is 8% to 9%.

- Term: The investment fund will have perpetual existence until it is dissolved upon, among other things, the Fund's determination to dissolve the investment fund, which dissolution shall require 60 days' prior written notice to the investment manager.

- Investment Limitations Include:

  - The investment fund may not invest more than (i) 15% of the investment fund's net asset value ("NAV") in a single hedge fund at the time of investment and (ii) 20% of the investment fund's NAV in any such fund as of the end of any quarter.

  - The investment fund may not invest more than (i) 5% of the investment fund's NAV in a hedge fund pursuing an opportunistic strategy at the time of investment and (ii) 10% of the investment fund's NAV in any such fund as of the end of any quarter.

  - The investment fund will only invest in underlying managers who provide 100% liquidity within two years.

  - The investment manager shall allocate the investment fund's assets among 10 to 15 hedge funds (excluding any hedge funds for which full redemptions have been placed).

  - The investment fund shall not invest in any hedge funds:

  - Where the investment manager receives a management or performance fee from such hedge fund in respect of the investment fund's investment, unless such fee is waived or rebated;

  - Where the hedge fund's primary strategy is private equity investments, provided this restriction shall not apply to hedge funds pursuing opportunistic strategies; and

  - Where the hedge fund's primary strategy is to invest in unaffiliated third-party hedge funds.

- Management Fee: 0.75% per annum of the investment fund's NAV.

INVESTMENT GUIDELINES FOR
PLUSCIOS FUND LLC (PLUSCIOS)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges it is a fiduciary with respect to the Fund and agrees to perform all of its duties and obligations as a fiduciary at all times.

- Investment Objective and Strategy: The investment fund's objective is to provide investors with a resilient, high performing portfolio of hedge funds that will deliver attractive absolute returns, preserve capital, experience lower volatility and create correlation benefits when combined with or compared to a portfolio of general equity and debt investments. The investment fund invests in a "master fund" (the "Master Fund"), which Master Fund is a multi-strategy fund that allocates a substantial majority of its assets to one or more sub-managers that pursue various alternative investment strategies. The Master Fund ordinarily allocates its assets to the sub-managers by investing in pooled investment vehicles managed by the sub-managers. However, the Master Fund may also allocate its assets to one or more sub-managers by opening managed accounts managed by such sub-managers.

  The Fund has invested in the investment fund's Class I Interests. Such interests invest in the investment fund's multi-strategy portfolio, which portfolio invests in one or more of the segregated portfolios of the Master Fund as determined by the investment manager.

- Term: The investment fund will have perpetual existence until it is dissolved upon, among other things, the investment manager's determination to dissolve the investment fund.

- Investment Limitations Include: The Master Fund will not invest more than 10% of its assets, measured at the time of investment, in direct investments.

- Management Fee: 0.071% per month of the net asset value ("NAV") of the Class I Interests (approximately 0.75% per annum of such NAV).

- Incentive Allocation: As of the end of each calendar year and as of any date on which the Fund receives a withdrawal or distribution from its capital account (a "Calculation Date"), the investment manager shall receive an amount (the "Incentive Allocation") equal to 15% of any positive difference between (i) the NAV of the Fund's capital account as of such Calculation Date and (ii) the greater of (a) the NAV of the Fund's capital account immediately after the most recently assessed Incentive Allocation (the "High Water Mark") or (b) the sum of (1) the NAV of the Fund's capital account as of the first day after the most recent Calculation Date the ("Adjusted NAV") and (2) the product of (I) the Adjusted NAV of the Fund's capital account for such period, (II) a rate agreed to from time to time by the investment manager and each investor holding a Class I Interest, and (III) a fraction equal to the number of months from and including the beginning of the year in which such Calculation Date occurs to and including such Calculation Date in the year divided by 12.

A similar allocation will be made to the investment manager in the event of a withdrawal or distribution from the Fund's capital account before the end of a calendar year, in an amount equal to the product of (i) the amount described above and (ii) a fraction, the numerator of which is the amount of such withdrawal and the denominator of which is the balance of the Fund's capital account immediately before such withdrawal. In such case, the High Water Mark for the Fund's capital account will be appropriately adjusted downward to reflect such withdrawal.

INVESTMENT GUIDELINES FOR
GMO Global Asset Allocation Fund
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted July 17th, 2012

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1b

Investment objective

Total return greater than that of its benchmark, the GMO Global Asset Allocation Index.*

**The GMO Global Asset Allocation Index is an internally maintained index computed by the Manager, consisting of 65% MSCI ACWI (All Country World Index) Index and 35% Barclays Capital U.S. Aggregate Index.*

Performance Objective and Benchmark

For performance measurement purposes, the Board will be utilizing the following benchmark:

65% MSCI ACWI (All Country World Index) Index and 35% Barclays Capital U.S. Aggregate Index

Principal investment strategies

The Fund is a fund of funds and invests primarily in shares of other GMO Funds, which may include the International Equity Funds, the U.S. Equity Funds, the Fixed Income Funds, Alpha Only Fund, Alternative Asset Opportunity Fund, Debt Opportunities Fund, High Quality Short-Duration Bond Fund, Special Situations Fund, World Opportunity Overlay Fund and U.S. Flexible Equities Fund (collectively, the “underlying Funds”). In addition, the Fund may hold securities (particularly asset-backed securities) directly or through one or more subsidiaries or other entities. The Fund may be exposed to non-U.S. and U.S. equity investments (which may include emerging country equities, both growth and value style equities and equities of any market capitalization), U.S. and non U.S. fixed income securities (including asset-backed securities and other fixed income securities of any credit quality and having any maturity or duration), the investment returns of commodities and, from time to time, other alternative asset classes. The Manager uses multi-year forecasts of relative value and risk among asset classes (e.g., non U.S. equity, U.S. equity, emerging country equity, emerging country debt, U.S. fixed income, non U.S. fixed income and commodities) to select the underlying Funds in which the Fund invests and to decide how much to invest in each. An important component of those forecasts is the expectation that valuation reversion ultimately drives market returns. The Manager changes the Fund’s holdings of underlying Funds in response to changes in its investment outlook and market valuations and may use redemption/purchase activity to rebalance the Fund’s investments. Under normal circumstances, the Manager intends to invest not more than 85% of the Fund’s assets in the U.S. Equity Funds and International Equity Funds. For cash management purposes, the Fund may invest in U.S. Treasury Fund and unaffiliated money market funds.

Principal risks of investing in the Fund

The value of the Fund’s shares changes with the value of the Fund’s investments. Many factors can affect this value, and you may lose money by investing in the Fund. References to investments include those held directly by the Fund and indirectly through the Fund’s investments in the underlying Funds. Some of the underlying Funds are non-diversified investment companies under the Investment Company Act of 1940, as 132 amended, and therefore a decline in the market value of a particular security held by those Funds may affect their performance more than if they were diversified. The principal risks of investing in the Fund are summarized below. For a more complete discussion of these risks including those risks to which the Fund is exposed as a result of its investment in the underlying Funds, see “Description of Principal Risks” in the GMO Trust Prospectus.

- *Market Risk – Equity Securities* – The market value of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. If an underlying Fund purchases equity investments at a discount from their value as determined by the Manager, the Fund runs the risk that the market prices of these investments will not appreciate to or decline from that value for a variety of reasons, one of which may be the Manager’s overestimation of the value of those investments. An underlying Fund also may purchase equity investments that typically trade at higher multiples of current earnings than other securities, and the market values of these investments often are more sensitive to changes in future earnings expectations than those other securities. Declines in stock market prices generally are likely to reduce the net asset value of the Fund’s shares.

- *Non U.S. Investment Risk* – The market prices of many non U.S. securities fluctuate more than those of U.S. securities. Many non U.S. markets are less stable, smaller, less liquid and less regulated than U.S. markets, and the cost of trading in those markets often is higher than in U.S. markets. Non U.S. portfolio transactions generally involve higher commission rates, transfer taxes and custodial costs than similar transactions in the U.S. In addition, the Fund may be subject to non U.S. taxes including potentially on a retroactive basis on (i) capital gains it realizes or dividends or interest it receives on non-U.S. securities, (ii) transactions in those securities and (iii) the repatriation of proceeds generated from the sale of those securities.

  Also, many non U.S. markets require a license for the Fund to invest directly in those markets, and the Fund is subject to the risk that it could not invest if its license were terminated or suspended. In some non U.S. markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) expose the Fund to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers. Further, adverse changes in investment regulations, capital requirements or exchange controls could adversely affect the value of the Fund’s investments. These and other risks (e.g., nationalization, expropriation or other confiscation of assets of non U.S. issuers) tend to be greater for investments in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

- *Market Risk – Fixed Income Securities* – The market price of a fixed income investment can decline due to a number of market-related factors including periods of rising (or in some limited cases, declining) interest rates and widening of credit spreads, or decreased liquidity that reflects the market’s uncertainty about the value of a fixed income investment (or class of fixed income investments).

- *Market Risk – Asset-Backed Securities* – Asset-backed securities are subject to severe credit downgrades, illiquidity, defaults and declines in market value. The market price of fixed income investments with complex structures, such as asset-backed securities, can decline due to a number of factors, including market uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow generated by the assets backing the securities, the deal structure, the credit worthiness of any credit-support provider, and the reliability of various other service providers with access to the payment stream) and a problem in any one of these areas can lead to a decrease in the payment stream expected by the Fund at the time it purchased the asset-backed security.

- *Liquidity Risk* – Low trading volume, lack of a market maker, large size of position or legal restrictions may limit or prevent the Fund or an underlying Fund from selling particular securities or unwinding derivative positions at desirable prices.

- *Derivatives Risk* – The use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates or indices. Derivatives also present other Fund risks, including market risk, liquidity risk, currency risk and counterparty risk.

- *Fund of Funds Risk* – The Fund is indirectly exposed to all of the risks of an investment in the underlying Funds, including the risk that the underlying Funds in which it invests do not perform as expected. Because the Fund bears the fees and expenses of the underlying Funds in which it invests, a reallocation of the Fund's investments to underlying Funds with higher fees or expenses will increase the Fund's total expenses. The fees and expenses associated with an investment in the Fund are less predictable than those associated with an investment in funds that charge a fixed management fee.

- *Management and Operational Risk* –The Fund runs the risk that the Manager's investment techniques will fail to produce the desired results. The Fund's portfolio managers may use quantitative analyses and models and any imperfections or limitations in such analyses and models could affect the ability of the portfolio managers to implement strategies. By necessity, these analyses and models make simplifying assumptions that limit their efficacy. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and/or it may not include the most recent information about a company or a security. The Fund also runs the risk that the Manager's fundamental assessment of an investment may be wrong or that deficiencies in the Manager's or another service provider's internal systems or controls will cause losses for the Fund or impair Fund operations.

- *Smaller Company Risk* – Smaller companies may have limited product lines, markets or financial resources, may lack the competitive strength of larger companies, or may lack managers with experience or depend on a few key employees. The securities of small- and midcap companies often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations.

- *Commodities Risk* – Commodities prices can be extremely volatile and exposure to commodities can cause the price of the Fund's shares to decline and fluctuate more than the value of shares of a fund with a broader range of investments.

- *Currency Risk* – Fluctuations in exchange rates can adversely affect the market value of non U.S. currency holdings and investments denominated in non U.S. currencies, or that the U.S. dollar will decline in value relative to that currency.

- *Leveraging Risk* – The use of reverse repurchase agreements and other derivatives and securities lending creates leverage. Leverage increases the magnitude of the Fund's losses when the value of its investments (including derivates) declines.

- *Credit Risk* – The Fund runs the risk that the issuer or guarantor of a fixed income security will be unable or unwilling to satisfy its obligation to pay principal or interest payments or to otherwise honor its obligations in a timely manner. The market price of a fixed income investment will normally decline as a result of the issuer's failure to meet its payment obligations. Below investment grade securities have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the capacity of issuers to make principal and interest payments than is the case with issuers of investment grade securities.

- *Counterparty Risk* – The Fund runs the risk that the counterparty to an over-the-counter (OTC) derivatives contract or a borrower of the Fund's securities will be unable or unwilling to make timely settlement payments or otherwise honor its obligations.

- *Real Estate Risk* – To the extent an underlying Fund concentrates its assets in real estate-related investments, the value of its portfolio is subject to factors affecting the real estate industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

- *Short Sales Risk* – The Fund runs the risk that an underlying Fund's loss on a short sale of securities that the underlying Fund does not own is unlimited.

- *Focused Investment Risk* – Focusing investments in countries, regions, sectors or companies or in industries with high positive correlations to one another creates more risk than if the Fund's investments were less correlated.

- *Market Disruption and Geopolitical Risk* – Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events as well as other changes in non U.S. and U.S. economic and political conditions could adversely affect the value of the Fund's investments.

- *Large Shareholder Risk* – To the extent that a large number of shares of the Fund is held by a single shareholder (e.g., an institutional investor), the Fund is subject to the risk that a redemption by that shareholder of all or a large portion of its Fund shares will disrupt the Fund's operations.

INVESTMENT GUIDELINES FOR
PIMCO All Asset Collective Trust (SEI Trust Company)
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted September 2012

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

Investment Objective

The objective of the PIMCO All Asset Collective Trust (the "Fund") is to seek maximum real return, investing under normal circumstances substantially all of its assets in Institutional Class shares of the PIMCO All Asset Fund (the "Underlying Fund"), consistent with preservation of real capital and prudent investment management. The Fund's return objective is to outperform the Barclays Capital U.S. 1-10 Year Index and achieve a return equal to the annual change in the Consumer Price Index plus 5% annualized ("CPI+5%"), as measured over a full business cycle. There is no assurance that these objectives will be achieved.

Performance Objective and Benchmark

For performance measurement purposes, the Board will be utilizing the following benchmark:

30% Barclays US TIPS 1-10 YR
10% S&P 500
40% Barclays Aggregate
10% Barclays High Yield
10% JP Morgan EMBI+TR

SEI's stated benchmarks for the Fund are the Barclays Capital U.S. TIPS 1-10 Year Index and CPI+5% (the "Benchmarks").

Investment Process

The Fund seeks to meet its performance objective relative to its Benchmarks by investing in the Underlying Fund, which is actively managed with respect to the same underlying benchmarks. In managing the Underlying Fund, PIMCO employs a tactical asset allocation specialist as a sub-advisor to complement PIMCO's "top-down" and "bottom-up strategies". The asset allocation decisions with the Underlying Fund are managed by Research Affiliates LLC, which is a leading asset allocation research and advisory firm. Research Affiliates was founded in 2002 by Robert Arnott. The asset allocation decisions are implemented by varying the mix of actively managed strategy specific PIMCO mutual funds. Each of these mutual funds seeks to outperform their respective benchmarks by incorporating strategies that are driven by PIMCO's top-down and bottom-up investment process.

The top-down investment process starts with an annual secular forum at which PIMCO investment professionals develop a three-to-five year outlook for the global economy and interest rates. This secular or long-term outlook is combined with a cyclical or short-term outlook to determine the basic macroeconomic and relative value portfolio parameters, including duration, yield-curve positioning (allocation across various maturities), sector weightings and credit quality.

Bottom-up strategies drive PIMCO's security selection process and facilitate the implementation of top-down strategies, as well as the identification and analysis of undervalued securities and sector-specific trade ideas. Here, PIMCO employs advanced proprietary analytics and expertise in all major fixed income sectors and geographic regions.

Permitted Investments

- PIMCO All Asset Fund: The Fund may invest solely in Institutional Class units of the PIMCO All Asset Fund, an investment company registered under the Investment Company Act of 1940.

- Cash Equivalents: Investment grade securities with a duration less than or equal to 1 year. These assets include, but are not limited to, the following: Treasury bills, U.S. government and agency securities, commercial paper (including 4(2) CP programs), time deposits, bankers acceptances, certificates of deposits, repurchase agreements, bank STIF accounts and U.S. money market Funds, subject to the restrictions set forth in the Investment Guidelines. The above-mentioned security types may be either U.S. or Eurodollar issues.

In the event that PIMCO wishes to make changes to or additions to or deletions from the Permitted Investments set forth in the Investment Guidelines, PIMCO shall submit to SEI a written list of such changes or securities/transaction types that PIMCO proposes to designate as Permitted Investments, and the securities/transaction types included on such list shall, except to the extent rejected by the Trustee within seven (7) business days or such shorter period that is agreed to from time to time, of its receipt of such revised list, automatically become Permitted Investments. Notwithstanding the foregoing, the Trustee may, at any time, but with reasonable prior notice, prohibit PIMCO from purchasing, or maintaining an investment in, any security, regardless of whether it is a Permitted Investment.

Prohibited Investments

Except with the prior written approval of SEI, PIMCO will not:

- Invest assets of the Fund directly in any securities or investments other than Permitted Investments, subject to the Liquidity provision described below.

- The Fund's investment limitations apply at the time of acquisition of an investment. If a percentage limitation is adhered to at the time of investment, a later increase or decrease in percentage resulting from market fluctuations or other changes in the Fund's total assets will not result in a violation of the limitation and will not require PIMCO to dispose of such investment.

The Fund will not invest in securities issued by the Trustee or its affiliates or securities issued by PIMCO or its affiliates, except as disclosed to investors and in accordance with applicable law.

Diversification, Liquidity and Risk Control

Assets of the Fund should remain fully invested in Institutional Class units of the PIMCO All Asset Fund except for Cash and Cash Equivalents as required to adequately manage contributions, transaction settlements, withdrawals and adverse market conditions.

Section 12

INFRASTRUCTURE

INVESTMENT GUIDELINES FOR
CARLYLE INFRASTRUCTURE PARTNERS, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in Carlyle Infrastructure Partners, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to infrastructure assets in the U.S. and Canada over a five year period from final close, with two possible one-year extensions.
- The Fund will focus on investments relating to transportation – toll roads, rail, ports and airports – or water, which encompasses water purification and distribution and wastewater treatment. It may also invest in “convenience” or “necessity” assets such as hospitals, schools or prisons. Unlike other infrastructure funds, CIP will not invest in energy assets such as power distribution lines.
- The Fund will allocate no more than 20% of the fund in a single investment.
- The Fund will allocate no more than 30% in assets located outside the U.S. and Canada.
- The Fund will have a term of 12 years with two one-year extensions.
- The management fee will be 1.5% of committed capital during the commitment period and 1.0% thereafter as well as a 20% carried interest over an 8% preferred return.

Performance Benchmark -- The manager’s performance will be compared with CPI + 500 basis points.

INVESTMENT GUIDELINES FOR
GLOBAL INFRASTRUCTURE PARTNERS, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in Global Infrastructure Partners, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to infrastructure assets globally over a six year period from final close.
- The Fund will focus on investments in transportation (40%), energy (40%) and water (20%) infrastructure assets in OECD and non-OECD countries.
- The Fund will seek to invest in 15 to 25 control-orientated positions.
- The Fund will allocate no more than 20% of the fund in a single investment.
- The Fund will allocate no more than 50% in non-OECD countries and no more than 20% in any one non-OECD country.
- The Fund will have a term of 10 years with two one-year extensions.
- The management fee will be 2.0% of committed capital during the commitment period and 2.0% thereafter as well as a 20% carried interest over an 8% preferred return.

Performance Benchmark -- The manager’s performance will be compared with CPI + 500 basis points.

INVESTMENT GUIDELINES FOR
GLOBAL INFRASTRUCTURE PARTNERS III A/B, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

- Investment Objective and Strategy: The investment fund will make control-oriented equity and equity-related investments and, on a selected basis, investments in debt securities, in each case in infrastructure and infrastructure-related assets primarily in OECD countries over a five year period from final close.

  The investment fund will focus on investments in energy, transportation and water / waste.

- Target Performance: the investment fund aims to deliver a target portfolio gross IRR of 15% to 20% per annum, including an annual cash yield building up over 2-3 years.

- Investment Limitations Include:

  - The investment fund will allocate no more than 20% of the investment fund in a single investment (or 30% including credit support and bridge financings).

  - The investment fund will allocate no more than 10% in non-OECD countries.

- Term: The investment fund will have a term of 10 years with four one-year extensions.

- Management Fee: (i), during the commitment period, 1.75% of committed capital, (ii) from the end of the commitment period 1.75% of invested capital or the aggregate fair market value of outstanding investments, as applicable.

- Carried Interest/Preferred Return: 20% carried interest after an 8% preferred return.

INVESTMENT GUIDELINES FOR
ULLICO INFRASTRUCTURE TAXABLE FUND, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Ullico Infrastructure Taxable Fund, L.P.

- The Investment Adviser represents and warrants that it shall at all times act in accordance with the Illinois Pension Code (40 ILCS 5), including but not limited to the applicable provision set forth in sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 thereof.

- The Fund is open ended, and a LP will be permitted to redeem all or a portion of its units after a four-year lock-up period starting from the later of the LP's date of admission or the due date of the Partnership's initial capital call.

- The Fund will make investments in physical structures and facilities that provide essential services to communities, governments and businesses, including utilities, transportation, social infrastructure and specialist sectors and logistics.

- The Fund will not acquire any portfolio security issued by a portfolio company operating principally outside of the United States or Canada without LP advisory committee consent.

- The Fund will continue until dissolved and liquidated by the GP in its sole discretion, subject to termination for any reason after the four-year period after initial closing upon the vote of 2/3-in-Interest of the LPs.

- As of April 1, 2017, the management fee is (i) 0.4375% per fiscal quarter (1.75% per annum) of the first $50 million of aggregate value of a LP's units, plus (ii) 0.4125% per fiscal quarter (1.65% per annum) of aggregate value of each a LP's units in excess of $50 million up to $75 million, plus (iii) 0.375% per quarter (1.5% per annum) of aggregate value of a LP's units in excess of $75 million, each of (i), (ii) and (iii) as of the last business day of each fiscal quarter.

Section 13

REAL ESTATE

ALEX BROWN REALTY CHESAPEAKE FUND III

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund's investment strategy will focus on mid-sized real estate assets ($10-20 million), which represent the broadest sector of the U.S. commercial property market. The assets will be acquired through joint ventures with local and regional developers and operators.
- The Fund's expected return is 11-14% net.
- It is expected that the properties in the Fund's portfolio will have a loan-to-value ratio of not more than 65% in the aggregate and not more than 80% per property. The Fund does not intend to acquire commercial mortgage loans. The Fund may invest in residential development parcels these investments typically take the form of preferred equity or mezzanine loans.
- The management fee is 1.5% of committed capital during commitment period; thereafter 1.5% of unreturned capital. The preferred return is 9%. The carried interest is 20% of profit distributions, subordinated to the preferred return (cash flow 50%/50% after preferred return until the carry is satisfied; 80% to the LP's thereafter).

ANGELO GORDON CORE-PLUS REAL ESTATE FUND II

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-13 to 1-113.10, and 5-187 to 187.

- The Fund will acquire equity interests in high quality office, retail, multi-family, and industrial real estate predominantly located in the largest U.S. markets, focusing on real estate assets where Angelo Gordon can utilize its value-added expertise to enhance returns.

- The Fund will focus the majority, if not all, of its investment in the US. In addition, the Fund will focus on the 20 largest U.S. markets.

- The Fund's projected return is 12% net.

- There are no investment guidelines available for this manager.

- The management fee is 0.5% of committed capital until invested, then 0.5% of total asset cost (not to exceed 1.25% of equity). There is an incentive fee of 15% to the GP, subject to an 8% cumulative preferred return to the limited partners and a 50% catch-up.

APOLLO EUROPE III

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will be a continuation of the successful investment strategy employed by its two predecessor funds and focus on investing in medium sized investments throughout Europe. Apollo will continue to originate transactions through its longstanding joint venture partner network. Apollo anticipates investing two thirds of the Fund in income producing assets and one third in development. By geography, Apollo anticipates investing 80% in Western Europe and 20% in Central and Eastern Europe. By product type, Apollo anticipates 40-50% in retail with the balance comprising office, residential, and warehousing.

- The Fund's targeted net IRR is 16% and greater.

- Fund investments must be in European real estate. No more than 20% of the Fund may be invested in speculative development. Not more than 10% of the Fund will be invested in raw land. The Fund will be subject to restrictions relating to hostile acquisitions.

- The term of the Fund will be eight years from the final closing. The term may be extended for up to a maximum of two consecutive one-year periods

- The management fee is 1.5% on committed capital during the commitment period and 1.5% on unreturned capital thereafter. There is a 9% preferred return.

BLACKROCK ASIA FUND III (AF III)

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will focus on investments in Japan (31%), South Korea (10%), Malaysia (5%), Singapore (12%), China (25%), and India (5%). Taiwan, Hong Kong, Australia, and Thailand will comprise approximately 12% with a small allocation possible to the emerging markets of Vietnam, Macau, Philippines and Indonesia. AF III utilizes a ‘‘top-down’’ and ‘‘bottom-up’’ approach to analyze markets and to identify trends that may give rise to investment opportunities. The ‘‘top-down’’ approach focuses on regional macroeconomic trends to identify capital misalignments, structural changes in economies and economic trends. AF III then combines its macro-economic research with local market data sourced by AF III strong local network and its alliances. The ‘‘bottom-up’’ approach allows AF III to identify local trends and opportunities and to apply its macro-economic analysis on a local level.

- The Fund’s projected gross IRR is 20-25% and net IRR is 17-20%.

- The Fund may not invest more than 25% in any single asset or more than 30% in any portfolio deal.

- The Fund’s investment period will be 3-years from final close. The total term will be 9-years from final close. Two (2) one-year extensions with advisory committee consent. Additional two (2) one-year extensions are possible with the consent of the LPs representing 66.67% of the capital commitments in MGP Asia.

- The management fee is 1.0% of capital commitments plus 1.0% of adjusted net assets during the investment period. 2% on adjusted net assets after the investment period. Net asset value less accumulated unrealized gains plus accumulated unrealized losses equals adjusted net assets.

BROOKFIELD REAL ESTATE FUND V, L.P. (BREF V)

- Compliance with Laws: The investment manager agrees to act as a fiduciary to the Investor in connection with its investment in the investment fund to the extent and for so long as required under applicable Illinois law. The investment manager will comply with the procurement and contracting requirements of Section 50-5 of the Illinois Procurement Code (30 ILCS 500/50-5) and Article 33 of the Criminal Code of 1961 (720 ILCS 5/33). The investment manager will comply with the information requirements of the Illinois Pension Code, including Sections 1-113.14(c) and 1.113.21 thereof. The investment manager will comply with the requirement of the Illinois State Officials and Employees Ethics Act (5 ILCS 430).

- Investment Objective and Strategy: The investment fund's investment objective is to generate strong, risk-adjusted returns comprised predominantly of current income by investing in real estate finance related transactions in a risk position that are (i) senior to traditional equity and (ii) subordinate to traditional first mortgages. Its lending activities will be focused primarily on high-quality properties in strategic locations.

- Target Performance: The investment fund will target a gross IRR of 12-13% (net 9-10%).

- Investment Limitations Include: Overall leverage of the investment fund, excluding borrowings secured by the investors' commitments may not without investor advisory committee consent exceed 50% of commitments; provided, that overall recourse leverage, other than borrowings secured by investor the commitments, may not exceed 35% of commitments.

  Without the consent of the investor advisory committee, the investment fund will not invest (i) over 20% of commitments in any one investment, except it may invest 30% of commitments in an investment for up to one year, (ii) in investments outside of U.S., except it may invest 20% of commitments in investments located in North America (other than the U.S.), Australia and Europe (including the U.K.), (iii) over 20% of commitments in unsecured debt and loans backed by publicly traded real estate company stock, or (iv) in a blind pool investment fund that has a management fee or carried interest.

- Term: The investment fund's term is ten years from the Initial Closing Date with two one-year extension options.

- Management Fee: The management fee is 1.5% per annum of the investment fund's invested capital.

- Preferred return: The preferred return is 6% per annum.

- Carried Interest: The carried interest is 15%.

CBRE CLARION SECURITIES GLOBAL REAL ESTATE SECURITIES STRATEGY

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund invests in real estate equity securities of companies across North America, Europe and the Asia-Pacific regions. The Fund generally will contain between 80 to 100 securities with an emphasis on current income via the dividend.
- The Fund seeks to outperform the FTSE EPRA/NAREIT Developed (Global) Index over time on average per annum by 200 – 400 basis points gross with a targeted tracking error of approximately 200 – 400 basis points.
- The Fund may invest only in real estate securities. Eligible security types include common stock, preferred stock, convertible preferred stock, convertible debentures, warrants and rights.
- The Fund shall not own more than 10% of the value of its gross assets, at time of purchase, in securities on one issuer.
- The management fee is equal to 65 basis points of the average monthly net asset value of the account.
- Performance Benchmark: The manager's performance will be compared to the FTSE EPRA/NAREIT Developed (Global) Index.

LONE STAR REAL ESTATE FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will invest in a broad range of real estate and real estate related investments where the intention is to take title or control and actively manage, reposition, improve or otherwise add value to the assets, including direct equity investments, real estate debt investments, and real estate operating company investments.

- The Fund's projected return is 20%+ net (25% gross of fees).

- No more than 25% in any individual asset or portfolio. No more than 60% in Canada and the U.S. (of which no more than 50% in the U.S.). No more than 60% in Europe (of which no more than 20% outside of Western Europe, the Czech Republic, Poland and Hungary). No more than 60% in Japan. No more than 20% in South Korea. No more than 30% in other areas of the world, including Mexico and the Caribbean.

- The Fund's term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee during investment period is 1.5% of committed unreturned capital, after investment period: 1.0% of average outstanding capital contributions. There is an 8% preferred return with a 50/50 catch-up to 20%, 80/20 to 25% and 70/30 thereafter.

LONE STAR FUND VI

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will target investments in a broad range of financial and other investment assets including, but not limited to, investments in secured and corporate unsecured debt, financially-oriented operating companies, and operating companies with significant real estate assets, through the acquisition of portfolios of assets and entity-level debt and/or equity. Real estate investments will be made in a separate investment vehicle.

- The Fund's projected return is 20%+ net (25% gross of fees).

- No more than 25% in any individual asset or portfolio. No more than 60% in Canada and the U.S. (of which no more than 50% in the U.S.). No more than 60% in Europe (of which no more than 20% outside of Western Europe, the Czech Republic, Poland and Hungary). No more than 60% in Japan. No more than 20% in South Korea. No more than 30% in other areas of the world, including Mexico and the Caribbean.

- The Fund's term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee during investment period is 1.25% of committed unreturned capital, after investment period: 0.75% of average outstanding capital contributions. In addition there is a 50-50 catch-up after an 8% preferred return until a 20% total return on investment; 20% until a 25% total return and 30% thereafter.

LONE STAR FUND X (U.S.), L.P. (LONE STAR X)

- **Investment Objective and Strategy:** The investment fund will target investments in a broad range of financial and other opportunistic investment assets (other than commercial real estate investments) including, but not limited to, investments consisting predominately of any of the following: (i) single-family residential real estate, (ii) non-performing and sub-performing single-family residential real estate-secured debt, corporate debt, and consumer debt, (iii) control investments in financially oriented or other operating companies, and (iv) securitized products relating to single-family residential real estate, corporate debt or consumer debt, such as RMBS, CDOs related to such loans or securities, credit default swaps, repurchase agreements, and other asset-backed securities (the underlying or referenced assets of which generally consist of assets described in this paragraph), as well as entering into other derivative instruments related to any of the foregoing investment types.

- **Term:** The investment fund's term is for eight years from the final closing with the option to extend for up to two one-year periods at the investment manager's discretion, unless two-thirds in interest of the investors disapprove of any such extension.

- **Management Fee:** (i) during investment period is 1.45% of investable capital and (ii) after investment period is 0.60% of the excess of average outstanding capital contributions of the Fund over all capital contributions by the Fund representing unrecovered write-downs.

MESIROW FINANCIAL REAL ESTATE VALUE FUND, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund (a closed end fund) Strategy is to invest in domestic value-added investments in the multifamily sector.
- Geographic focus is solely in the United States.
- The Fund's targeted net IRR is 12% (or 1.9x TVPI Multiple).
- The Fund will terminate on December 31, following the eighth anniversary of the final closing date. The term may be extended for one-year at the General Partners sole discretion.
- The management fee is 1.5% on committed capital during the investment period and 1.5% on invested equity thereafter.
- Distributions are as follows: 9% preferred return (compounded annually) to the Limited Partners pro rata based upon their capital contributions; 50% Limited Partners / 50% General Partner as a catch-up until the General Partner receives 20% of all Fund distributions after return of capital to the Limited Partners; and thereafter, 80% Limited Partners / 20% General Partner.
- Key Person for the Fund is Alasdair Cripps, Senior Managing Director.
- Target leverage is 60%, with a maximum expected leverage of 65%.

MORGAN STANLEY PRIME FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- Prime Property Fund's strategy is to maintain a high concentration of diversified investments in prime U.S. real estate that offers stable, highly predictable cash flow returns. The focus will remain on high quality office buildings, high demand multifamily product, warehouse distribution, storage facilities, and top tier super regional malls and power centers in targeted primary markets.
- The Fund favors investing in major metropolitan markets and secondary markets expected to benefit from strong population and employment growth.
- The Fund's expected return is 8-12% gross.
- There are no investment guidelines available for this manager.
- The management fee is comprised of a "Base Fee" and an "Incentive Fee." The Base Fee equals 90 basis points per annum of the NAV (as of the beginning of each calendar quarter) payable quarterly in arrears. The Incentive Fee payable at the end of each calendar year shall not exceed 45 basis points per annum of the "Average Monthly NAV" for the calendar year.

Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.

MSREF VI INTERNATIONAL

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will target investments in non-U.S. real estate portfolios, corporate spin-offs and liquidations, real estate operating companies, direct investments and developments. The Fund may also acquire a limited number of Non-Performing Loan (“NPL”) portfolios. The Fund’s projected allocation is as follows: Japan 40%, Western Europe (Italy, Germany, U.K., Spain and France) 30%, Other Developed Asian Markets (Hong Kong, South Korea, Taiwan) 5%, China 15%, and Other Emerging Markets (India, Turkey, Mexico, Russia and Brazil) 10%.

- The Fund’s expected gross return is 20%+ (15% net).

- There are no investment guidelines available for this manager.
- The Fund’s term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee is 1.0% of capital invested in all investments. There is a 1.0% acquisition fee. 0.75% of the acquisition fee is to be rebated making the effective fee 0.25%. In addition there is a 20% promote after return of capital and preferred return of 9%, 60/40 catch-up until GP receives 20% of profits.

NEWPORT CAPITAL

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund's strategy is to invest in real estate transactions in the greater Chicago metropolitan area. The Fund's objectives and purposes are to generate attractive risk-adjusted rates of return through investment in urban real estate in Chicago and, perhaps, in other select urban markets. The Fund will seek to create value through the acquisition, development, redevelopment and repositioning of real estate in its target markets.

- The Fund will not invest more than 30% of the aggregate capital commitments in real-estate related "mezzanine securities" or invest or commit, directly or indirectly, in or to any one project in excess of 15% of the aggregate capital commitments or $5 million, whichever is higher.

- The management fee is 1.5% on committed capital during the commitment period in addition to the management fee a development fee equal to 3% of the total cost (including capitalized interest expense, the cost of the land on which a project is located and all "soft" costs of the project).

QUADRANT FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The strategy is constructed and managed to seek an attractive income and total return, a predicable income return, diversification and liquidity. This diversified portfolio will be composed of various real estate assets that fit into four basic groups: real estate equity securities, real estate fixed income securities, real estate private equity and real estate private debt.

- No real estate asset exposure will constitute more than 5% of overall strategy assets. Minimum of 60% in liquid sectors (REITs, CMBS). Maximum of 40% in less liquid, direct sectors (loans, mezzanine debt, equity).

- The Fund's expected target return includes a current return of 8%+ net of fees and a total return of 10%+ net of fees.

- The management fee is an annual rate of 1% of the average monthly net asset value (NAV) of the Fund.

- Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.

SOUND MARK HORIZONS FUND

- Compliance with Laws: The Advisor shall use commercially reasonable efforts to not taken any actions that would directly cause the investor to be in violation of sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 of the Illinois Pension Code.

- Investment Objective and Strategy: The investment fund is focused on investing assets in low to medium risk commercial real estate, debt and other investments that the Advisor believes can provide attractive returns on a current and fully realized basis.

- Hold Period: For debt investing, the investment fund expects generally to maintain a hold-to-maturity strategy, except in cases where the sale or disposition of an asset will result in superior performance returns. For equity ownership positions, the investments will generally be modeled at closing to assume hold periods of 3-5 years, and are expected to be realized after Advisor concludes it has maximized the asset's potential price / return.

- Permitted Investments: The investment fund may originate, acquire or otherwise invest in first mortgages, b notes, mezzanine loans, preferred equity, equity participations, securities, or equity relating to any of the following property types: multifamily/residential, mobile home park, retail (anchored), retail (quasi-anchored), retail (unanchored), hospitality, office, industrial, self-storage and mixed use.

- Diversification, Liquidity and Risk Control: Advisor intends to continue to construct on behalf of the investment fund a diversified portfolio of primarily US commercial real estate debt investments, reflecting a low to moderate risk profile. Advisor's target investment size is $10-40 million and the portfolio construction is intended to adhere to conservative credit-centric and diversification standards.

- Term: The investment fund's term shall continue in full force and effect until the investment fund is dissolved pursuant to certain dissolution events.

UBS TRUMBULL PROPERTY FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund's focus is to acquire existing, well-leased properties, or properties with expansion and/or rehabilitation potential and, to a very limited extent, make forward commitments on to-be-built properties. The Fund is primarily a core fund; however, it may make "value added" investments in new development or redevelopment opportunities, properties with lease-up potential, investments with favorable financing in place or properties acquired at prices significantly below replacement cost.

- The long-term strategy for the Fund is to continue to provide broad diversification to maximize portfolio returns while minimizing risk. To ensure reasonable diversification, an asset allocation strategy is employed based on measurements of the market basket of institutional real estate.

- The Fund has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over a full market cycle. The Fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given 3- to 5-year period.

- There are no investment guidelines available for this manager.

- The Advisor will be entitled to receive an asset-based fee and a variable fee, quarterly in arrears, as follows:

  The Base Fee is a blended percentage rate derived by reference to the annual percentage set forth in the following table:

First 10 million	0.955%
Next 15 million	0.825%
Next 25 million	0.805%
Next 50 million	0.790%
Next 150 million	0.670%
Next 150 million	0.600%
Next 200 million	0.560%
Above 600 million	0.520%

  The Variable Fee ranges from a minimum of 0% to a maximum of 0.25%. The Variable Fee for a quarter is determined using gross return and CPI values for the rolling four-quarter period.

Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.
.

(This page left blank intentionally)

PRIOR POLICY PORTFOLIO COMPOSITION

Prior to September 2014, the return of the Policy Portfolio comprised S&P 500 - 15% - Large Cap, MSCI EAFE - 14% - Developed Non US, 60% MSCI World/ 40% Citi WGBI - 12% - Global Asset Allocation, BC Aggregate Bond - 13% - Core US Bonds, 1/3 each: BC Global Aggregate, ML Global High Yield, JPM EMBI - 9% - Multi Sector Fixed Income, Venture Economics All Private Equity - 9% - Private Equity and Infrastructure; HFRI Fund of Funds - 7% - Hedge Funds, Russell 2000 - 6% - Small Cap, MSCI Emerging Markets (net) - 6% - Emerging Markets Equity, NCREIF Property - 5% - Real Estate, Dow Jones – UBS Commodity TR - 2% - Real Assets, BC Global Inflation linked: US Tips - 2% - Real Assets.

Prior to January 2011, the return of a policy portfolio comprised of 30% of the Dow Jones Total Market Index, 18% of the Morgan Stanley Capital International All Country World ex-U.S. Index and 35% of the Barclays Capital Aggregate Bond Index. If the Fund's actual investments in real estate, private equity, and opportunistic strategies are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, private equity, and opportunistic strategies, with the adjustment being taken from the Dow Jones Total Market Index percentage. If the Fund's actual investments in infrastructure are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in infrastructure, with the adjustment being taken from the Barclays Capital Aggregate Bond Index.

Prior to October 1, 2000: the return of a policy portfolio comprised of 45% of the Wilshire 5000 Stock Index, 15% of the Morgan Stanley Capital International EAFE-Free Index and 35% of the Barclays Aggregate Bond Index. If the Fund's actual investments in real estate are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, with the adjustment being taken from the Wilshire 5000 Stock Index percentage.

Prior to April 1, 2000: the return of a policy portfolio comprised of 50% of the Wilshire 5000 Stock Index, 10% of the Morgan Stanley Capital International EAFE-Free Index and 35% of the Barclays Aggregate Bond Index. If the Fund's actual investments in real estate are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, with the adjustment being taken from the Wilshire 5000 Stock Index percentage.

The returns of the Russell Mellon Public Fund Index.

For performance evaluation purposes, all rates of return will be calculated on a net-of-fee basis and returns for periods greater-than one year will be annualized.

(This page left blank intentionally)

Statement of Investment Policy

The Retirement Board of the
Firemen's Annuity and Benefit Fund of Chicago
20 South Clark Street – Suite 300
Chicago, Illinois 60603

(312) 726-5823
(800) 782-7425

Adopted: March 18, 2019

Revised: September 18, 2019

TABLE OF CONTENTS

THE RETIREMENT BOARD OF
THE FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

- SECTION I -
STATEMENT OF INVESTMENT POLICY

INTRODUCTION

The Firemen's Annuity and Benefit Fund of Chicago, Illinois (the "Fund") is subject to the provisions of Chapter 40, Act 5, Articles 1, 1A and Article 6 of the Illinois Compiled Statutes (the "Code"), as amended from time to time. The Fund is administered by the Retirement Board (the "Board"), consisting of eight appointed and elected Trustees.

The Fund is established to provide for the present and future benefit payments for all retired and active firefighter participants and their beneficiaries as authorized under the Code.

The duties of the Trustees, approved delegations to Investment Managers and other fiduciaries, prohibited transactions, and liability for breach of fiduciary duties are set forth in Article 1 of the Code. Fiduciaries must read and abide by these provisions.

RESPONSIBILITIES OF THE RETIREMENT BOARD

The Board is charged by law with responsibility for the management of the Fund. The Board and its members shall discharge their duties solely in the interest of the Fund, with the care, 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 a like character with like aims. The responsibilities of the Board relating to the investment management of Fund assets include:

1. Establishing reasonable and consistent investment objectives, policies and guidelines governing the investment of Fund assets.
2. Selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
3. Determining the Fund's liquidity requirements, investment horizon and risk tolerance and communicating these to the appropriate parties.
4. Evaluating the performance of Investment Manager(s) and other qualified investment professionals to assure adherence to policy guidelines and to monitor investment objective progress.
5. Acknowledge annually, via written signature, compliance with the Fund’s Code of Ethics and Conflict of Interest policies.
6. Filing the requisite reports required by the Code with the Illinois General Assembly, the Department of Insurance and related entities.

SCOPE AND PURPOSE OF INVESTMENT POLICY

Scope
This Statement of Investment Policy (the "Statement") reflects the investment policy, objectives, and constraints of the Firemen's Annuity and Benefit Fund of Chicago.

Purpose
This Statement of Investment Policy is set forth by the Board of the Fund in order to:

1. Define and assign the responsibilities of all involved parties;
2. Establish a clear understanding for all parties of the investment goals and objectives of Fund assets;
3. Establish a basis for evaluating investment results;
4. Establish a framework for further review and revision of this policy.

DUTIES OF FIDUCIARIES

Each member of the Board of the Fund is a fiduciary, and is responsible for the management of Fund assets. As such, the Trustees are authorized to retain professional experts including but not limited to:

1. Investment Consultant(s): The Investment Consultant(s) is an advisor to the Board retained to provide investment management advice and act as a fiduciary for the purposes of the duties assumed under the Consulting Services Agreement. The Investment Consultant(s) will provide investment management advice concerning the investment management of Fund assets. Specific responsibilities of the Investment Consultant include, but are not limited to:

A. Assist in the development and on-going review and maintenance of the investment policy, goals, objectives and portfolio asset allocation.

B. Conduct Investment Manager searches as authorized by the Investment Committee. As a matter of Trustees' policy, the Fund's Investment Consultant is directed to actively seek qualified Emerging Investment Managers, as such term is defined in the Code, whenever conducting a search for Investment Managers. Pursuant to Section 1-109.1. of the Pension Code, it is the public policy of the State of Illinois to encourage the trustees of public employee retirement systems to use qualified Emerging Investment Managers in managing assets of their respective plans to the greatest extent feasible within the bounds of financial and fiduciary prudence. The Investment Consultant, in conjunction with Fund Investment staff, will conduct the investment manager search and coordinate and communicate directly with the investment managers, pursuant to the Fund's Procurement Policy, adopted June 1, 2009.

C. Provide research and/or due diligence reports on each of the Fund's investment managers. Evaluate investment manager performance in terms of effective implementation of investment strategy, actual performance versus established return and risk benchmarks, organizational stability, adherence to the investment contract and compliance with investment guidelines and restrictions.

D. Measure and monitor the performance and risk of the investment managers. Prepare and present quarterly summaries of investment manager activities and performance. Calculate investment performance (gross and net of fees) and risk measurements at the total fund, asset class, investment style, and manager levels. Reconcile discrepancies in performance returns calculated by the investment manager, Fund custodian and Investment Consultant.

E. Communicate advice on matters of policy, manager research, manager performance and capital market conditions to the Investment Committee and Investment staff.

F. Review Fund investment history, historical capital markets' performance and the contents of the Statement of Investment Policy with all Trustees, as necessary.

G. Provide continuing asset/liability allocation review and specific recommendations.

H. Communicate with all investment related professionals retained by the Fund as required or prudent. This shall include, but is not limited to, notifying investment managers of "watch list" status, changes to the investment guidelines, and requested appearances before the Investment Committee.

I. Attend the following meetings:
   1. Investment Committee meetings,
   2. Investment Manager Symposium,
   3. presentations by current or prospective investment managers,
   4. Investment staff planning sessions, as necessary, and
   5. other occasions, as necessary.

J. Other duties or services as can be reasonably requested of an Investment Consultant.

2. **Discretionary Investment Managers**: The Board at its discretion may contract with Investment Managers based on an evaluation of their investment philosophy, performance and ability to complement existing portfolio styles.

Each specific manager must manage Fund assets according to their stated investment discipline as stated in the guidelines and in accordance with their specific written agreement with the Board. No deviation from this discipline is authorized unless first discussed with the Board and its Investment Consultant, and written approval issued.

Investment Managers are granted discretionary authority to manage stated assets for the Board. This Statement of Investment Policy communicates policies regarding the current asset allocation strategies for the Fund and the duties and obligations of Investment Managers. Each Investment Manager will have full discretion, within the confines of its stated investment discipline, to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Statement, and in each manager's specific investment guidelines, including applicable addenda. Specific responsibilities of the Investment Managers include:

A. Discretionary investment authority including decisions to buy, sell, or hold individual securities within the guidelines established in this Statement and applicable to the investment manager.

B. The timely communication of any significant changes regarding economic outlook, investment strategy, or any other factors which may have an impact upon the achievement of the Fund's investment objectives.

C. Informing the Board regarding changes within the investment management organization within ten (10) business days of such change(s). Examples include but are not limited to: changes in portfolio management personnel, ownership structure, and/or investment philosophy.

D. Voting proxies - Each Investment Manager has discretion to vote all proxies for securities held for the Fund, so long as in the Manager's belief the result of the ballot would serve to increase the value of the investment or otherwise benefit the Fund. Allowable exceptions to this voting policy include proxy votes on issues the Trustees have reserved the right to review or any other issue as directed by the Trustees.

E. Timely Reporting of Investment Activities - Each Investment Manager shall provide reports to the Board as outlined in Section VIII.

3. C**ustodian(s)**: The Custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian(s) will perform regular accounting of all assets owned, purchased, or sold, as well as monitor the movement of assets into and out of the Fund accounts. The Custodian(s) may also perform additional contracted services including but not limited to securities lending, portfolio analysis, performance reporting and computer accessible reporting.

4. **Additional Professionals**: Additional professionals, including but not limited to attorneys, actuaries and auditors may be retained by the Board as necessary to assist toward the prudent administration of the Fund’s assets.

INVESTMENT CONTRACTS

Contracts are an integral part of the selection of investment professionals and, therefore, guidelines apply to the selection of outside investment professionals.

With respect to all investment relationships, it is the responsibility of the Fund attorney and staff to review and document written agreements with all Investment Managers consistent with the requirements of Article 1 of the Code. The Fund utilizes a uniform Investment Management Agreement that all Investment Managers will be expected to execute and deliver as a condition precedent to funding. Staff will assist in the review of all contracts and negotiate fees on all investment advisor relationships, subject in most cases to the results of the competitive selection process.

Investment Managers shall affirm within their investment contract that they are fiduciaries with respect to the Fund. Investment Managers shall also acknowledge and comply with the Fund’s Code of Ethics and brokerage policy.

The Investment Consultant(s) contract shall limit compensation to hard dollars (cash) for all services rendered. No other form of compensation, including any type of soft dollar arrangements shall be permitted. The Investment Consultant(s) shall affirm that they act as a fiduciary of the Fund with respect to the investment advice given and also acknowledge and comply with the Fund's Code of Ethics.

The Board and staff shall review all investment relationships on a regular basis. The Investment Consultant(s) shall be reviewed and a request for proposals ("RFPs") issued in accordance with the Fund's procurement policy will be conducted at least every five years. A review may be conducted sooner if deemed necessary. Renewal of the Investment Consulting contract without a formal RFP and search process is prohibited.

- SECTION II - INVESTMENT GOALS AND OBJECTIVES

The purpose of the Fund establishing an investment policy is to obtain the highest return possible on Fund investments within corresponding acceptable levels of investment risk and liquidity requirements, in recognition of prudent person standards and in compliance with the Illinois Statutes governing the operation and activities of the Fund.

FUNDING LEVELS, LIQUIDITY REQUIREMENTS AND ASSET ALLOCATION CONSIDERATIONS

Due to the actuarial underfunding of Fund liabilities, the investment strategy of the Fund must emphasize the greater need for longer term growth of capital while fulfilling the immediate liquidity requirements of the Fund's benefit payout.

To maximize the potential gain on assets, the Fund has decided to maintain a fully invested position in accordance with the established target asset allocation. The Fund believes that liquidity requirements may be met by active investment managers while minimizing the possibility of capital losses due to the forced sale of a security to meet a required payment by following an appropriate monthly rebalancing procedure.

TARGET ALLOCATIONS

The Board has determined that the following asset allocation policy is currently appropriate for the Fund. This asset allocation policy will be reviewed periodically and may be modified, if appropriate, in light of changes in the structure or goals of the Fund. The Board will review asset allocation strategy upon any meaningful change in projected contributions into the Fund. The following asset allocations are meant to apply to the actual realized asset class allocations as opposed to the allocations among manager types.

The Fund’s asset allocation shall be reviewed in no longer than five year intervals. Asset allocation may be reviewed more frequently, or deferred, as determined by a majority vote of the Board. Changes to the asset allocation policy, whether temporary or permanent, require a majority vote of those Board members present at a Board meeting consistent with the requirements of the Open Meetings Act.

An asset liability modeling (ALM) study shall be completed in no longer than five-year intervals. An ALM may be conducted more frequently, or deferred, as determined by a majority vote of the Board.

Equity	**Target**	**Minimum**	**Maximum**
Broad US Equity	35%	31%	39%
Large Cap US Equity	*21%*	*17%*	*25%*
Small/Mid Cap US Equity	*14%*	*10%*	*18%*
Global Ex-US Equity	25%	21%	29%
International Equity	*20%*	*16%*	*24%*
Emerging Markets Equity	*5%*	*1%*	*9%*
Private Equity	4%	0%	8%
Total Equities	**64%**	**60%**	**68%**
Real Assets			
Commodities	2%	0%	6%
TIPS	2%	0%	6%
Core Real Estate	4%	0%	8%
Global REITs	4%	0%	8%
Total Real Assets	**12%**	**8%**	**16%**
Fixed Income			
Core Fixed Income	20%	16%	24%
Total Fixed Income	**20%**	**16%**	**29%**
Liquid Diversifying Assets	4%	0%	8%
Cash	0%	0%	5%
Total	**100%**		

The table that follows illustrates the current benchmarks to be used for each asset class. These benchmarks will be used to evaluate the performance of individual asset classes, and will also be combined based on the target weights, to arrive at a Performance Benchmark, or Policy Target.

Equity	Performance Benchmark
Broad US Equity	Russell 3000 Index
Large Cap US Equity	*Russell 1000 Index*
Small/Mid Cap US Equity	*Russell 2500 Index*
Global Ex-US Equity	MSCI All Country World Ex-US Index IMI (net)
International Equity	*MSCI EAFE Index(net)*
Emerging Markets Equity	*MSCI Emerging Markets Index (net)*
Private Equity	Cambridge US Private Equity Index (legacy)
Real Assets	
Commodities	100% Bloomberg Commodity Index
TIPS	Bloomberg Barclays US TIPS Index
Core Real Estate	NCREIF ODCE Index (Gross)
Global REITs	FTSE EPRA NAREIT Developed Real Estate Index (Net Div)
Fixed Income	
Core Fixed Income	Bloomberg Barclays Aggregate Bond Index
Liquid Diversifying	90 Day T-Bills + 4%
Cash	90 Day T-Bills
Total	**Weighted Average of Asset Class Benchmarks**

REBALANCING PROCEDURES

In order to maintain the established target asset allocation, the Fund has determined that a specific rebalancing procedure is necessary. The Fund has also determined that this procedure should coincide with the liquidity requirements of the Fund so as to limit the amount of required liquidations and associated transaction costs. As the Fund benefit payouts are known with a high level of confidence at least two months in advance, the procedure can be determined fairly accurately. This will allow the Investment Managers to receive ample notice about required liquidations. This process should avoid forcing quick sales or high transaction costs.

The Chief Investment Officer (CIO), or other Fund staff, shall estimate expected cash receipts and disbursements, including current and following month-end benefit payments, to determine the amount of any required liquidation. The CIO shall then analyze the asset allocation, generally seeking to reduce the allocation of the largest or most overweight managers on an absolute basis, present the findings to the Board for approval, and then facilitate the liquidation from as few or as many Investment Managers as necessary in order to fund the benefit payments and Fund expenses. By continually liquidating assets from the most overweight Investment Managers, the Fund will work its way toward the desired target asset allocation, ensuring that it remains at or near the desired target levels.

.

SECURITIES LENDING

Overview

The Board intends to maintain a securities lending program, as the Board believes it provides a means of enhancing the overall Fund performance. The investment objective for the securities lending program is to generate incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification of the cash collateral portfolio and tightly controls exposure to fluctuating interest rates. The Board will evaluate the income attributable to the program and the risks inherent in the program. The Board expects the investment staff to offer suggestions with respect to any possible improvements in the program, and to monitor the results of the program (e.g., income, costs associated with the program, issues that arise with respect to the program).

The specifics pertaining to any securities lending program shall be detailed in a separate Securities Lending Agreement.

Risk Control

The Custodian and/or securities lending sub-agent is responsible for conducting all appropriate and necessary due diligence on the borrowers and potential borrowers. The name of borrowers and potential borrowers shall be updated and provided to the Board promptly following the end of each calendar quarter

The Custodian and/or securities lending sub-agent is responsible for ensuring that all loans are at least 100% collateralized. Specific requirements for the amount of collateral required for loans on each type of security, as well as the quality and guidelines for investment of such collateral shall be defined in the Securities Lending Agreement.

Securities shall not be loaned in excess of forty percent (40%) of the market value of Fund's assets (not be taken on an individual manager account-by-account basis) under the care of the Custodian, marked to market on a day-to-day but not on an intra-day basis.

Cash collateral shall be invested by the Custodian, and/or its security lending sub-agent pursuant to the Securities Lending Agreement.

The Fund shall direct the Investment Manager of the securities to notify the Custodian of any sales by no later than the trade date to permit the Custodian to effect timely return of loaned securities prior to or on the settlement date.

The Custodian, upon notification of default by a borrower, which shall be reported immediately to the Board in writing, the Custodian shall take such actions as are prudent, necessary and appropriate to use the collateral to acquire replacement securities of the exact same type and kind as the securities which were loaned to the borrower. Any inability to acquire such securities shall be reported to the Fund and to the Investment Manager immediately.

Monitoring

The Custodian and/or securities lending sub-agent is responsible for reporting fully on all aspects of the Securities Lending Program, including its operation and returns. The Custodian and/or securities lending sub-agent shall cooperate fully with all reasonable requests for documents and records made by the Board and/or an independent certified public accountant selected and retained by the Board to audit securities lending activities.

The Fund shall receive a monthly report of the securities on loan, the income received from loans, the Custodian's and sub-agent fees from loans, the composition of collateral, and the investment characteristics of the collateral. In addition to the monthly report, significant events which require additional reporting shall include but not be limited to borrower list changes, failed trades due to securities on loan, and collateral shortfalls.

- SECTION III -
GUIDELINES FOR ACTIVELY MANAGED FUND ASSETS

Each Investment Manager within the Fund will be chosen for a specific discipline and will be required to adhere to these general investment guidelines:

1. **Risk Aversion**: Investment Managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the return of the portfolio under management is commensurate with the level of risk that is assumed within any given discipline.

2. **Fully invested**: The Board has adopted a long term Asset Allocation Policy and grants Investment Managers discretion over assets within the portfolios they manage. The Board has set specific guidelines concerning the allowable levels of cash that may be maintained in each actively managed portfolio. The Board will closely monitor the use of cash by any manager. If a manager believes that a change in its specific guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board. Under conditions of extreme market duress and upon a majority vote of the Board, cash level guidelines may be altered, as is prudent, for defensive purposes.

3. **Portfolio Diversification**: In order to achieve a prudent level of portfolio diversification, the manager's investment guidelines will articulate any constraints regarding concentration of positions by sector and limits that must be adhered to in attempting to exceed the returns of the performance benchmark.

4. **Investment Discipline Objectives**: Each separately managed portfolio will have specific guidelines and objectives established by the Board. Investment Managers are expected to adhere to the investment discipline for which they were hired. Managers will be evaluated for adherence to their stated investment discipline.

   Specific investment goals and constraints for each Investment Manager shall be established in the investment contract documentation between the Fund and the Investment Manager.

   The goal of each Investment Manager, over the investment horizon, shall be to:

   A. Exceed the market index, or blended market index, selected and agreed upon by the Board and Investment Manager that most closely corresponds to its style of investment management.

   B. Unless otherwise agreed to by the Board and Investment Manager, display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified. Typically, risk will be primarily measured by the standard deviation of returns, secondarily by tracking error.

The Investment Managers are charged with the responsibility of maintaining their portfolios in compliance with the investment guidelines. Under no circumstances shall an Investment Manager take an action which causes the portfolio to be in conflict with the guidelines without prior written consent of the Board. If there is a deviation from the guidelines because of an Investment Manager's action, the manager will be reviewed by the Board at the next meeting following notification of the deviation. If there is a deviation from the guidelines because of a change in the market value of an Investment Manager's portfolio or a particular holding, or a change in quality rating of a particular holding, the Investment Manager shall take action that is prudent and appropriate to the intended purpose of the portfolio. If for any reason a portfolio deviates from the guidelines, the Investment Manager is responsible for reporting the deviation from the guidelines to the Board and its Investment Consultant in writing within 30 days of when the manager should have known the deviation occurred. The Investment Manager is required to give this notice even if they have taken immediate action to correct the deviation. The Investment Manager will explain the deviation from the guidelines and suggest appropriate action. Within 60 days after receiving notification of a deviation from the investment policy guidelines, the Board will respond to the manager's recommendation and will direct appropriate action. Depending upon the severity of the circumstances, the consequences of deviating from the investment policy guidelines could range from an Investment Manager appearing before the Board up to and including the manager's termination.

5. **Brokerage and Execution of Transactions**: Investment Managers with authority over Fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution, in accordance with Section 1-113.20 of the Code.

   Additionally, as outlined in *SECTION IV – MINORITY, WOMEN AND DISABLED PERSONS BROKERAGE,* it is the policy of the Fund to utilize Minority, Women and Disabled Persons owned brokerage services, as defined in the Illinois Business Enterprise for Minorities, Women and Persons with Disabilities Act, whenever possible.

6. **Minority, Women and Disabled Persons Business Enterprise Investment Manager Utilization Policy** In accordance with 40 ILCS 5/1-109(10), the Board supports the aspirational goal that not less than 20% of investment advisors be minorities, women, and persons with disabilities.

I. Emerging Managers
In accordance with 40 ILCS 5/1-109.1(4), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by emerging investment managers:

	Goal Range
Total investment assets	7% to 10%
A.) By asset class	
Equity	3% to 10%
Fixed Income	2% to 10%
Real Assets	2% to 10%

B.) By ownership classification

Minority	7% to 10%
Women	3% to 7%
Disabled Persons	0% to 2%

II. Minority Managers

In accordance with 40 ILCS 5/1-109.1(9), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by minority investment managers:

	Goal Range
Total investment assets	12% to 24%
A.) By ownership classification	
Minority	8% to 12%
Women	4% to 8%
Disabled Persons	0% to 4%

These goals shall be reviewed annually.

Consistent with the requirements of Section 1-113.22 of the Code, no later than each January 1st, the Fund's Consultant(s) shall disclose to the Board: (i) the total number of searches for investment services made by the Consultant in the prior calendar year; (ii) the total number of searches for investment services made by the Consultant in the prior calendar year that included: (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability; (iii) the total number of searches for investment services made by the Consultant in the prior calendar year in which the Consultant recommended for selection (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability; (iv) the total number of searches for investment services made by the Consultant in the prior calendar year that resulted in the selection of (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability; and (v) the total dollar amount of investment made in the previous calendar year with (a) a minority-owned business, (b) a women-owned business, or (c) a business owned by a person with a disability that was selected after a search for investment services performed by the Consultant.

7. **Sustainable Investing Principles** In accordance with 40 ILCS 5/1-113.6 and 40 ILCS 5/1-113.17, the Board will regularly consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors. The Fund, in conjunction with its Consultant, will perform periodic evaluations of those factors to ensure the factors are relevant to the investment portfolio and the evolving marketplace.

- SECTION IV –
MINORITY, WOMEN AND DISABLED PERSONS BROKERAGE

The Board has determined that consistent with the public policy of the State of Illinois, it is the policy objective of the Fund to increase brokerage services provided to the Fund by minority, female and disabled person business enterprises as defined by the Illinois Business Enterprise for Minorities, Females, and Persons with Disabilities Act Women.

Minority, women and disabled person-owned business enterprises (“MWDBE”) are defined as a sole proprietorship, partnership, or corporation owned, operated, and controlled by minority, women and disabled group members who have at least 51% ownership as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disabilities Act. The defined group member(s) must have day to day operational and managerial control, and an interest in capital and earnings commensurate with his or her percentage of ownership. In addition, the brokerage firm and its operating members must be registered with the appropriate federal and state agencies and must have an established record of business performance through a history of having provided good execution and reporting services.

Subject to the Fund’s policy that Investment Managers with authority over Fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution in respect to placing brokerage consistent with Section 1-113.20 of the Code, the Investment Managers will be expected to use their best efforts to place brokerage business with minority, women and disabled person business enterprise firms as defined.

Each Investment Manager shall submit a quarterly report detailing the use of minority, women and disabled person business enterprise firms and the year to date amounts and type of brokerage placed with each firm.

Each Investment Manager that fails to submit a quarterly report or fails to use its best efforts (as determined by the Trustees) to assist the Fund in fulfilling the above stated policy will be scheduled to appear before the Trustees to explain its actions.

It is the goal of the Fund to have at least 12% of its fixed income transactional amounts and at least 22% of its equity related commissions be placed with MWDBE broker/dealers. Program success will be measured in aggregate.

Managers shall not utilize indirect methods, such as “step-out” commissions, to achieve these goals.

When purchasing new issue securities, the manager will make every effort to utilize minority broker-dealers who are part of the underwriting syndicate sell the new issues.

- SECTION V -
SELECTION AND REVIEW OF INVESTMENT MANAGERS

The Board of Trustees' selection of Investment Manager(s) must be based on prudent due diligence procedures. All manager selections must be conducted using a formal search process where qualifying candidates are reviewed on a consistent basis. At the discretion of the Board, a follow-on or legacy investment(s) through closed-end funds may be excluded from a formal search process consistent with the requirements of Section 1-113.14 of the Code. The Board will consider a broad range of candidates and actively consider minority, women and disabled person-owned business enterprises (MWDBE) that also have the required capabilities.

A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940 or exempt from registration as demonstrated to the satisfaction of the Board, or a bank or insurance company similarly registered or exempt. The Board requires that each Investment Manager provide, in writing within the Investment Management Agreement, acknowledgment of fiduciary responsibility to the Fund as specified in the Illinois State Statutes.

During the search process candidates are not permitted to contact Board members. Any contact between Board members and candidates prior to the finals presentation may result in disqualification.

INVESTMENT MANAGER SELECTION

The manager search process combines both quantitative and qualitative components in an effort to identify suitable candidates. Such quantitative and qualitative components will also include a review of the candidates' inclusion of sustainability factors in its investment decision-making process. The Investment Consultant and Fund investment staff will lead Investment Manager searches with the coordination of staff. A formal Request for Proposal will be initiated and all procedures outlined in the Fund's Procurement Policy will be employed. The final selection of an Investment Manager will be approved by a majority of the Board.

Depending upon the mandate of each Investment Manager search, minimum screening criteria will be prepared, in writing, by the Investment Consultant and Fund investment staff in advance of each search. Criteria shall include, but is not limited to:

- Personnel qualifications of the firm's ownership, investment professionals and support staff, including but not limited to education, investment experience, tenure, etc;
- Total assets under management of the firm and within the mandate sought;
- Suitable number of years as a going concern;
- A verifiable track record that demonstrates consistent adherence to the stated investment approach;
- Risk and return characteristics of historical data that are consistent with the specified role;
- No legal or regulatory judgments/actions pending or outstanding, and;
- Any other material issue negatively impacting the Fund.

The inclusion of investment management firms in any search which do not meet the minimum determined screening criteria must be fully documented and disclosed, in writing, to all Trustees.

Consistent with the requirements of Section 1-113.23 of the Code, the Investment Consultant shall disclose to the Board any compensation or economic opportunity received in the last 24 months from an Investment Manager that is recommended for selection by the Investment Consultant. The

Investment Consultant shall make this disclosure prior to the Board selecting an Investment Manager for appointment.

PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant(s) (quarterly) and Custodian(s) (monthly) shall be compiled and communicated to the Board for review. The investment return of the total portfolio, as well as asset class components, will be measured against performance benchmarks, appropriate for each portfolio, as adopted by the Board. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Statement.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, compliance with the Fund directives regarding utilization of minority, women and disabled-owned broker dealers and other factors that may impact their ability to achieve the desired investment results.

Though the Board reserves the right to terminate a manager at their discretion, “watch list” guidelines have been established to facilitate the review process.

A manager may be placed on a “watch list” and a thorough review and analysis of the manager may be conducted under the following circumstances:

- The manager or strategy may no longer fit the desired portfolio structure. This may reflect a revision of the desired portfolio structure due to other factors such as changes in asset allocation and/or risk profile.
- The manager fails to achieve the performance objectives established within the Investment Policy such as underperformance relative to a designated index benchmark or median of the peer universe.
- The manager or strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.
- The manager or strategy exhibits style drift or a change in philosophy, which the manager was not initially hired to provide.
- Any gross negligence, willful misconduct, malfeasance, investment policy violation or breach of federal and/or state securities laws.
- Failure to comply with Board policies or this Statement of Investment Policy.
- Any other reason including but not limited to items such as ownership, organizational or portfolio management changes, legal or regulatory actions initiated against the manager or any other material issue negatively impacting the Fund.

Ultimately the decision to retain or terminate an Investment Manager cannot be made by rigid rules or formula. It is the Board's confidence in the manager's ability to add value to the Fund that ultimately determines the retention of the manager. The Board may find it necessary to terminate an Investment Manager at any point, based upon, but not limited to the following criteria:

1. Inability to exceed the stated performance objectives.
2. Inability to adhere to all applicable Board Policies, Investment Policies and Investment Manager Guidelines.
3. Material changes in the investment manager's organization, investment philosophy and/or personnel.
4. Any legal, SEC and/or regulatory agency proceedings affecting the investment manager.
5. To meet liquidity needs.
6. De minimus account size.
7. To implement change in total fund or asset class investment strategy or allocation among asset classes

- SECTION VI -
DEFINITIONS AND CONCLUSION

1. **"The Fund"** shall mean The Firemen's Annuity and Benefit Fund of Chicago.

2. **"Retirement Board"** or **"Board"** shall refer to the governing Board of Trustees established to administer the Fund as specified by applicable ordinance.

3. **"Fiduciary"** shall mean any entity or person who exercises any discretionary authority or discretionary control respecting management of the Fund or exercises any authority or control respecting management or disposition of the Fund's assets, or renders investment advice for a fee or other compensation, direct or indirect, with respect to monies or property of the Fund, or has any discretionary authority or responsibility in the administration of the Fund.

4. **"Investment Consultant"** shall mean any entity or person employed to provide advisory services, including advice on investment objective and/or asset allocation, manager search, and performance monitoring.

5. **"Investment Manager"** shall mean any individual, or group of individuals, employed to manage the investment of Fund assets.

6. **"Broker/Dealer"** shall mean any entity or person in the business of effecting securities transactions for its own account and/or of others and registered as such with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc.

7. **"Investment Horizon"** shall be the time period over which the investment objectives, as set forth in this Statement, are expected to be met. The investment horizon for this fund is an 80 year spectrum segmenting risk tolerance to the present value of the Fund liabilities as follows: Conservative - current to 3 years, moderate - 4 to 15 years, and aggressive - 16 to 80 years.

8. **"Market Cycle"** shall be a time period which includes a significant market decline from peak to trough and a sustained market increase significantly above the previous peak. Observing performance over a market cycle allows the Board to analyze the results without biasing the results in favor of managers that might outperform during certain sub-periods. If a market cycle should take place within a short time period, additional time may still be needed to assess the value added of the manager.

9. **"Emerging Investment Manager"** shall mean a qualified investment adviser that manages an investment portfolio of at least $10,000,000 but less than $10,000,000,000 and is a "minority-owned business", "women-owned business" or "persons with a disability owned business" as those terms are defined in the Illinois Business Enterprise for Minorities, Women and Persons with Disabilities Act.

10. **"Minority Investment Manager"** means a qualified investment manager that manages an investment portfolio and meets the definition of "minority owned business", "women owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disability Act.

CONCLUSION

This Statement of Investment Policy is a working document structured to accomplish long-term and short-term planning. Investment Managers and other fiduciaries are invited to contact the Fund or the Investment Consultant(s) with any questions about the interpretation or application of any provisions. This Statement of Investment Policy will be reviewed as needed. All changes will be communicated to all appropriate parties in writing.

Please address reports, correspondence and communications to:

THE FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Attention, Chief Investment Officer
20 South Clark Street – Suite 300
Chicago, Illinois 60603-1899
(312) 726-5823

- SECTION VII -
SPECIFIC OBJECTIVES AND GUIDELINES FOR INDIVIDUALLY MANAGED PORTFOLIOS

INVESTMENT OBJECTIVES AND GUIDELINES

The Board expects to receive results from the Investment Managers that are consistent with the policies included herein. The Board has established investment guidelines specific to each investment manager retained by the Fund. These objectives and guidelines will provide a basis for evaluating the effectiveness of each Investment Manager and the overall investment program over time. In addition to each managers' specific guidelines, the following broad restrictions apply to all investment managers employed on behalf of the Fund.

BOARD RESTRICTIONS

- No assets, with the exception of approved alternative investments, shall be invested in restricted (lettered) stock or in private placements. This restriction is not meant to preclude purchases of securities issued under SEC Rule 144a. Rule 144a allows trading among qualified institutional investors within a segment of the private placement market.

- No assets will be invested with firms that make, service or invest in loans as defined by the Illinois High Risk Home Loan Act.
- Derivatives will be utilized in a prudent manner that is consistent with the investment mandate for which an Investment Manager has been employed.
- During such time as an investment in a commingled fund shall exist, the Declaration of Trust or other document creating said commingled fund shall control, subject to a negotiated side-letter or other contractual documentation between the parties that incorporates the requirements specified in the Illinois Pension Code and the limitations set forth within the Investment Guidelines do not apply.

TOTAL FUND - OBJECTIVES AND GUIDELINES

Investment Objectives

The primary investment objective of the Fund shall be to exceed the return of the performance benchmark, on a net of fee basis, over a full market cycle. The Performance Benchmark, or Policy Target, shall be a weighted average of each asset class benchmark, weighted by the target allocation to each asset class over time.

A secondary measure of investment success shall be a review of returns relative to a universe of peer public pension plans. Over the long term, the Fund objective is to rank within the top 33% if a universe of peers. During intermediate or shorter term periods, the Fund seeks to rank in the top 50% of the same universe.

Investment Guidelines

- The investment guidelines governing each asset class/manager will together constitute the Total Fund guidelines.
- The Board is responsible for the overall asset allocation of the Fund. Each manager will be responsible for adhering to the guidelines for its portion of Fund assets.

- SECTION VIII-

REQUIRED REPORTING OF ACTIVELY MANAGED INVESTMENT PORTFOLIOS

The Board has determined that each Investment Manager given discretionary authority over a portion of the Fund's assets shall provide the following required reports to the Fund at the time periods indicated.

Five (5) copies of these reports shall be compiled and distributed electronically in PDF format as follows:

1.	Investment Committee Chairman	ICM@fabf.org
2.	Chief Investment Officer	CIO@fabf.org
3.	Executive Director	EXECDIR@fabf.org
4.	Comptroller	COMP@fabf.org
5.	Callan Associates	CALLAN@fabf.org

ON A MONTHLY BASIS, provided no later than seven (7) business days after month end:

1. A RECONCILIATION: Between the managers records and those provided by the Fund's Custodian, outlining any differences in transactions, asset holdings, and market values.

2. DERIVATIVES REPORT: A statement of derivatives used, detailing notational value and explanation of purpose of the derivative.

3. A STATEMENT OF INVESTMENT PERFORMANCE: Expressed in percentage increase/decrease for the following periods: Month, Year To Date, One Year, Three Years, Five Years, and Since Inception. Comparative statistics for the specific Benchmarks should also be included.

ON A QUARTERLY BASIS, provided no later than ten (10) business days after quarter end:

In addition to the above reports, the following will be completed:

1. A LETTER OF TRANSMITTAL: Addressed to the President of the Fund which includes a narrative about the account performance and all related factors for the quarter, including market outlook and short- and long-term expectations for the account.

2. PERFORMANCE ATTRIBUTION explaining how performance was achieved and explanations of any variance from the benchmark performance for quarter, year-to-date, 1 year ("yr"), and 3 yr periods

3. MINORITY BROKERAGE TEMPLATE in format specified by the Fund

4. COMMISSION DETAILS (e.g., soft dollar, CSA, etc), including brokers, dollar amounts and detail listings of services/products received with commission dollars beyond execution

5. STOCK information regarding new additions or complete eliminations, including rationale behind

the addition (s) or elimination (s)

6. TRANSACTION COST ANALYSIS: Manager's transaction cost analysis, including a copy of any report or service a manager utilizes to measure the quality of its trade execution.

7. A RECORD OF PROXY VOTING: A statement of all proxies voted shall be prepared each quarter.

8. FINANCIAL CHARACTERISTICS of account vs. specific benchmark.

9. NOTIFICATION OF GUIDELINE VIOLATIONS, listed for the quarter along with the related remedy.

10. SUMMARY of ORGANIZATIONAL UPDATES (e.g. changes in personnel, management, ownership, etc)

ON AN ANNUAL BASIS, provided no later than thirty (30) days after calendar year end:

In addition to the above reports, the following will be completed:

1. ORGANIZATIONAL CHART of the account's asset management group

2. BROKERAGE CERTIFICATION: A statement certifying manager's compliance with Section 1-113.2 of the Code and the Fund's minority, women, and disabled persons brokerage goals.

3. YEAR-END GIPS composite(s) of strategy pertaining to account.

4. TOTAL CLIENTS GAINED AND LOST, as well as the assets gained and lost, for the product pertaining to the account for prior calendar year.

5. DISCLOSURE OF CHANGES, if any, to the investment philosophy and investment process (including operations) for the product pertaining to the account.

6. DISCLOSURE OF MANAGERS' E&O and D&O insurance coverage and period of coverage.

7. ETHICS POLICY CERTIFICATION: A statement certifying manager's compliance with the Fund's Ethics Policy.

8. INVESTMENT POLICY STATEMENT CERTIFICATION: A statement certifying manager's compliance with the Fund's Investment Policy Statement.

9. DISCLOSURE OF ROLE OF SUSTAINABILITY FACTORS: A report discussing manager's incorporation of sustainability factors in investment process, citing specific examples.

10. DIVERSITY CHART AND STATEMENT: Completion of diversity chart in format specified by Fund, including statement on efforts being made to increase diversity within firm.

11. Additional reasonable information as requested by the Board or Investment Staff.

ON AN ANNUAL BASIS, provided no later than thirty (30) days after June 30th:

1. INVESTMENT HEADQUARTERS: On an annual basis, as of June 30, investment managers will provide to the Fund a list indicating the Fund's holdings in publicly traded equity and fixed income securities and private equity investments headquartered in Illinois

Melissa Conyears-Ervin
Treasurer

OFFICE OF THE
CITY TREASURER
CITY OF CHICAGO

Translate »

Browse: Home / Financial Transparency / Investment Policy

Investment Policy

The Municipal Code of Chicago (the "Municipal Code") authorizes the City Treasurer to invest funds of the City of Chicago (the "City") in certain authorized classes of securities. All persons involved in the investment of public funds in the Office of the City Treasurer (the "Office") are to comply with the Municipal Code provisions relating to the deposit and investment of public funds. The purpose of this Statement of Investment Policy and Guidelines (the "Policy") is to establish cash management and investment guidelines for the Office. This Policy has been prepared in accordance with the Public Funds Investment Act (30 ILCS 235 / 2.5) and the Municipal Code (2-32-515).

1.0 POLICY

The Office is responsible for the management of daily receipt and investment of cash and related accounting operations. The City Treasurer is the Chief Investment Officer of the City and investments may be directed by the City Treasurer, her designee, or outside professional fund managers, in accordance with this Policy. It is the policy of the City Treasurer to invest all funds under the Office's control in a manner that provides the highest investment return using authorized instruments while meeting the City's daily cash flow demands in conformance with the Municipal Code.

2.0 SCOPE OF POLICY

This Policy applies to all investments held within the Office and made on behalf of the City Treasurer with the exception of certain bond funds for which the City may specifically authorize other allowable investments consistent with applicable bond ordinance, trust indenture, the Municipal Code or State law.

3.0 OBJECTIVES

The primary objective in the investment of City funds under control of the City Treasurer is to ensure the safety of principal, while managing liquidity requirements of debt service and other financial obligations of the City, providing the highest investment return using authorized investment instruments, and promoting economic development in the City.

3.1 Safety. The safety of principal is the foremost objective of the investment program. City investments shall be undertaken in a manner that seeks to ensure the preservation of capital in the portfolio. To attain this objective, diversification is required to ensure that the City

Treasurer prudently manages market, interest rate and credit risk. Each inv Translate » se shall be limited to those defined as eligible under the Municipal Code.

3.2 Liquidity. The investment portfolio shall remain sufficiently liquid to enable the City to meet all operating requirements that might be reasonably anticipated. Except as otherwise authorized by the Municipal Code or other applicable law, all investments shall be fully payable as to principal and interest within ten years from the date of purchase.

3.3 Return on Investments. The investment portfolio shall be designed to obtain the highest available return, taking into account the City Treasurer's investment risk constraints and cash flow needs. The City Treasurer shall seek to obtain the highest available return using authorized investments.

3.4 Economic Development and local considerations. The City Treasurer seeks to promote economic development in the City through various programs that provide incentives for community reinvestment and financial assistance.

4.0 PRUDENCE

To accomplish the objectives of the City Treasurer, all authorized persons engaged in the investment process will perform their duties responsibly in accordance with the following standard:

"Investments shall be made with care, skill, prudence, and diligence under the circumstances then prevailing, specifically including, but not limited to, the general economic conditions and the anticipated needs of the City and the Board of Education of the City, Policemen's Annuity and Benefit Fund, Firemen's Annuity and Benefit Fund, Municipal Employees' Annuity and Benefit Fund, and Laborers' and Retirement Board Employee's Annuity and Benefit Fund ("Depositors"), that a prudent person acting in a like capacity and familiarity with those matters would use in the conduct of funds of like character and with like aims, to safeguard the principal and maintain the liquidity needs of the City and the Depositors."

The standard of prudence to be used by the Office's investment officers shall be the "prudent investor" standard and shall be applied in the context of managing an overall portfolio. Investment officers shall: (i) act in accordance with written procedures and this Policy, (ii) exercise due diligence, (iii) prepare all reports in a timely fashion, and (iv) exercise appropriate action to control adverse developments.

5.0 OPERATIONAL GUIDELINES

5.1 Particular Fund Investments. The Municipal Code requires that any investments of a particular segregate fund be credited to that fund. Principal and interest shall be credited to the particular segregate fund so invested. The City Treasurer and Comptroller jointly may transfer ownership of any security purchased with monies of a particular segregate fund to the aggregate fund in the City Treasury. The particular segregate fund originally invested shall be credited with the amount of the principal and accrued interest up to the date of the transfer of ownership of such security from the particular segregate fund to the aggregate fund.

5.2 Government Fund Accounting. The City financial record-keeping systei Translate » nd maintained on a fund accounting basis. A Fund is an independent fiscal accounting entity with a separate set of accounting records to record cash and investment activities. Funds are either segregate or aggregate, as determined by law, special regulation or contractual agreement. The Comptroller determines the classification of Funds in either segregate or aggregate category and City Treasurer's records are prepared accordingly.
Funds classified as "segregate" by the Comptroller or the City Treasurer require that separate accounts be established related to all financial resources, investment and payment requirements. Generally, these segregate funds represent financial resources employed for specified governmental projects and are for restricted use. The Office is required and does maintain a cash and investment record of the segregated accounts and has monies available to pay obligations under segregate funds when due. Generally, debt service payments and investments are made through the trust accounts provided for these funds and coordinated by the Office. All other receipts and cash not allocated by law or contractual agreement and used to pay the City's general operating expenses are pooled for investment and classified as aggregate funds. The City Treasurer disburses these operating funds on a daily basis to cover warrants issued by the City Comptroller. The Corporate (General) fund is the aggregate major operating fund of the City. All general tax revenues and ordinary receipts are aggregated into this fund. Disbursements are based on spending plans of the City departments and include items such as employee payroll and health benefit costs and operating expenditures.

5.3 Competitive Bidding: For investment transactions made by the Office, bids/quotes and markups or discounts need to be consistent with prevailing institutional trades at the time of each transaction and are to be compared to market quotations for the same type and maturity investment on the Bloomberg independent market quotation information service or a comparable service available in the Office. In certain exigent circumstances, the Office need not solicit competitive bids. The guiding principle with choosing any bid for any investment transaction made by the Office is the quality of the bid and the assurance that the bidder can complete the investment transaction.

5.4 Sale of Securities: Section 2-32-580 of the Municipal Code provides that

"The comptroller and City Treasurer may sell a security prior to maturity at such price that the comptroller and City Treasurer shall deem advisable including at, above or below the purchase price of the security when in the determination of the comptroller and City Treasurer the sale of the security is necessary to: (1) ensure sufficient amount of money on hand when the balance of cash in the City treasury has for any reason become less than the amount necessary for immediate use; (2) enhance the overall portfolio yield; (3) minimize further erosion and loss of investment principal; or (4) minimize the City's exposure to market and credit risks.
The City Treasurer shall cooperate with the comptroller in the cancellation and reissue of tax warrants sold in such a way that no duplication thereof shall take place."

6.0 ETHICS AND CONFLICT OF INTEREST

It is the policy of the Office and in compliance with Section 2-156-080 of the Municipal Code that no person acting on behalf of the investment function in the Office shall, in any manner, have any interest, either directly or indirectly, in any investments in which the Office is authorized to invest; or receive in any manner, compensation of an Translate » ny investments from the sellers, sponsors or managers of such investments. Investment officers and other staff involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions. The City's Governmental Ethics Ordinance, Chapter 2-156 and State law limit the gifts that employees, officials, their spouses, and /or their minor children can accept from persons who have an interest in city business.

7.0 AUTHORIZED BROKER/ DEALERS AND QUALIFIED INSTITUTIONS

The City Treasurer will maintain a list of broker/dealers authorized to provide investment services in the City. In addition, a list will be maintained of approved financial institutions authorized to provide investment services. No public deposits shall be made except in municipal depositories approved by City Council.

Depositories. Section 2-32-400 of the Municipal Code allows only regularly organized state or national banks insured by the Federal Deposit Insurance Corporation ("FDIC") and federal and state savings and loan associations insured by Savings Association Insurance Fund of the FDIC to be designated as possible municipal depositories. Depository institutions should be economically viable and have practices that would not impair the safety of investments.

Broker/Dealer. The Office has a Request for Information (RFI) questionnaire to facilitate annual qualification of each broker/dealer interested in working with the City investments. The Office evaluates interested broker/dealers on the basis of criteria set by the City Treasurer, including the firm's prior experience, financial stability, and other requirements deemed necessary by the Office, the Municipal Code or other applicable government agencies. The Office on an annual basis notifies brokers/dealers of their approval in writing. The City Treasurer maintains relationships with qualified members of the broker/dealer community who understand the permitted investment constraints and goals of the Office. No broker/dealer or financial institution may present investments to the City Treasurer unless it has signed a sworn certification serving as an affidavit that the institution understands the eligible investment securities that can be purchased for the City. Only broker/dealers with offices located in the City are used to transact business for the City investment accounts.

8.0 AUTHORIZED INVESTMENTS

The City Treasurer has authorized the following types of investments subject to the provisions of Section 2-32-520 of the Municipal Code:

1. Interest-bearing general obligations of the United States and the State of Illinois;
2. United States treasury bills and other non-interest bearing general obligations of the United States or United States government agencies when offered for sale at a price below the face value of same, so as to afford the City a return on such investment in lieu of interest;
3. Tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation issued by the City of Chicago;
4. Commercial paper which: (1) at the time of purchase, is rated in the two highest classifications by at least two accredited ratings agencies; (2) matures not more than 270 days after the date of purchase;

5. Reverse repurchase agreement (1) if the term does not exceed 90 days (2) and the investment acquired with the proceeds of the reverse repurchase agreement does not exceed the expiration date of the reverse repurchase agreement: and (3) at the time of purchase, the total amount of the reverse repurchase agreement held in all funds does not exceed 5 percent of the total holdings across all funds.. Reverse repurchase agreements may be transacted with primary dealers and financial institutions, provided the City has on file a master repurchase agreement;
6. Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit;
7. Bankers acceptance of banks whose senior obligations, at the time of purchase, are rated in the AAA or AA rating categories by at least two accredited ratings agencies;
8. Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the City's tax-exempt debt obligations;
9. Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; provided that such money market funds' portfolios are limited to investments authorized by this section;
10. Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds;
11. Except where otherwise restricted or prohibited, a non-interest bearing savings account, non-interest bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the Treasurer, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the City;
12. (1)Bonds of companies organized in the United States with assets exceeding $1,000,000,000 that, at the time of purchase, are rated not less than two ratings above investment grade, or equivalent rating, by at least two accredited ratings agencies. Investments authorized by this subsection (1) shall, at the time of purchase, not exceed 35 percent of the total holdings across all funds (with no more than 35 percent of the total portfolio authorized by this subsection (12)(1) invested in any one market sector, out of a total market sector pool consisting of finance, energy, technology, consumer products, manufacturing, healthcare and transportation), and the maturity shall not exceed 30 years; (2) Bonds authorized by subsection (12)(1) where the principal is guaranteed with underlying assets such as bonds, currencies, and commodities. Bonds authorized by this subsection (1)(2) shall, at the time of purchase, not exceed 5 percent of the total holdings across all funds;
13. Debt instruments of international financial institutions, including but not limited to the World Bank and the International Monetary Fund, that, at the time of purchase, are rated within 4 intermediate credit

ratings of the United States sovereign credit rating by at least two accredited ratir not less than an A- rating, or equivalent rating. Investments authorized by this subsection (13) shall, at the time of purchase, not exceed 10 percent of the total holdings across all the funds, including principal and interest, and the maturity shall not exceed 10 years. For purposes of this subsection (13), an "international financial institution" means a financial institution that has been established or chartered by more than one country and the owners or shareholders are generally national governments or other international institutions such as the United Nations;

14. United States dollar denominated debt instruments of foreign sovereignties that, at the time of purchase, are rated within 4 intermediate credit ratings of the United States sovereign credit rating by at least two accredited ratings agencies, but not less than an A- rating, or equivalent rating. The investments authorized by this subsection (N) shall, at the time of purchase, not exceed five percent of the total holdings across all funds, and the maturity shall not exceed 30 years;
15. Interest-bearing bonds of any country, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois, of any other state, or of any political subdivision or agency of the State of Illinois or of any other state, whether the interest earned thereon is taxable or tax-exempt under federal law. The bonds shall be registered in the name of the City or held under a custodial agreement at a bank. The bonds shall be rated, at the time of purchase, not less than A-, or equivalent rating, by at least two accredited rating agencies with nationally recognized expertise in rating bonds of states and their political subdivisions, The bonds authorized by this subsection shall, at the time of purchase: (1) not have a maturity of more than 30 years from the date of purchase; and (2) not exceed 25 percent of the total holdings across all funds; provided that bonds linked to infrastructure projects shall not exceed 5 percent of the total holdings across all funds
16. Bonds registered and regulated by the Security and Exchange Commission and for which the full faith and credit of the State of Israel is pledged for payment; provided that the bonds have an A- rating or above or equivalent rating by at least two accredited ratings agencies. The bonds authorized by this subsection (P) shall, at the time of purchase, not exceed 1 percent of the total holdings across all funds, and the maturity shall not exceed 30 years.
17. Bonds, notes, debentures, or other similar obligations of agencies of the United States rated, at the time of purchase, no less than AAA by at least two accredited rating agencies.
18. Interests in the Chicago Community Catalyst Fund ("CCCF") as established by Section 2-32-625 of the Municipal Code that inure to the benefit of neighborhood economic development while generating returns that are commensurate with the City's overall investment portfolio returns.

(1) For the purposes of this subsection, the following definitions shall apply:

"Annual Limit" shall mean the positive difference, if any, between the actual amount of investment earnings for the prior year on funds in the Corporate Fund not subject to Other Investment Restrictions and the budgeted amount of such investment earnings.

"Eligible Funds" shall mean: (1) any City funds the Treasurer is authorized to invest which are not subject to Other Investment Restrictions as determined jointly by the Comptroller and the Treasurer; and (2) any funds in the Corporate Fund or in the Service Reserve and Concession Fund, in either case which are subject to Other Investment Restrictions but only to the extent permitted by the applicable Other Investment Restrictions. Eligible Funds shall not include any proceeds of City debt obligations or any monies in any City enterprise fund.

"Other Investment Restrictions" shall mean restrictions on eligible investments for City funds pursuant to federal law, state law, City ordinances (other than this section), or existing City contracts as determined jointly by the Comptroller and the Treasurer.

(2) Commencing in 2019, in each year, Eligible Funds may be transferred Translate » om time to time, provided that the aggregate amount of such transfers during a year shall not exceed the Annual Limit for such year.

All securities so purchased, excepting the bond authorized in subsection (15), investments authorized in subsection (18) and the tax anticipation warrants, municipal bonds, notes, commercial paper or other instruments representing a debt obligation of the city purchased under subsection (3), shall show on their face that they are fully payable as to principal and interest, where applicable, if any, within 30 years from the date of purchase.

9.0 INVESTMENT RESTRICTIONS

Except as provided in section 8.0, subsection (12)(2), neither the Comptroller nor Treasurer shall have authority, without the approval of the City Council, to (i) invest in financial agreements whose returns are linked to or derived from the performance of some underlying asset such as bonds, currencies or commodities products, or (ii) borrow against or otherwise obligate City investments, other than for purposes of a security lending transaction conducted under section 2-32-575 of the Municipal Code.

10.0 MINIMUM CREDIT QUALITY

Exclusive of investments made pursuant to Section 2-32-520(r), the total holdings across all funds held by the Treasurer shall have no less than an overall average rating of Aa1 on a quarterly basis, as rated by two accredited rating agencies.

11.0 COLLATERALIZATION

In order to protect the City public fund deposits, depository institutions are to maintain collateral pledges on City deposits and certificates of deposit during the term of the deposit.

Certificates of deposit of banks or savings and loan associations designated as municipal depositories which are insured by federal deposit insurance; provided that any amount of the deposit in excess of the federal deposit insurance shall be either: (1) fully collateralized at least 102 percent by: (i) marketable U.S. government securities marked to market at least monthly; (ii) bonds, notes, or other securities constituting the direct and general obligation of any agency or instrumentality of the United States; or (iii) bonds, notes or other securities constituting a direct and general obligation of any county, township, city, village, incorporated town, municipal corporation, or school district, of the State of Illinois or of any other state, or of any political subdivision or agency of the State of Illinois or any other state which are rated in either the AAA or AA rating categories by at least two accredited ratings agencies and maintaining such rating during the term of such investments; (2) secured by a corporate surety bond issued by an insurance company licensed to do business in Illinois and having a claims-paying rating in the top rating category as rated by a nationally recognized statistical rating organization and maintaining such rating during the term of such investment; or (3) fully collateralized at least 102 percent by an irrevocable letter of credit issued in favor of the City of Chicago by the Federal Home Loan Bank, provided that the Federal Home Loan Bank's short-term debt obligations are rated in the highest rating category by at least one accredited ratings agency throughout the term of the certificate of deposit.

Repurchase agreements must also be collateralized in an amount of 102[illegible] Translate » ue of principal and accrued interest. Collateral pledged for repurchase agreements shall be marked to market at least weekly during the term of the agreement. Additional collateral will be required when the ratio falls below the level required.

The collateral required to secure City funds must be held in safekeeping and pursuant to collateral agreements which would prohibit release or substitution of pledged assets without proper written notification and authorization of the City Treasurer. The final maturity of acceptable collateral pledged shall not exceed 120 months.

12.0 SAFEKEEPING AND CUSTODY

All securities and collateral will be held by a third party custodian designated by the City Treasurer and evidenced by safekeeping receipts. Safekeeping will be documented by a written agreement, in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.

13.0 DIVERSIFICATION

A variety of financial instruments and maturities, properly balanced, will help to ensure liquidity and reduce risk or interest rate volatility and loss of principal. Diversifying investments and maturities will avoid incurring unreasonable risks in the investment portfolio regarding specific security types, issuers or individual financial institutions.

14.0 INTERNAL CONTROLS

The City Treasurer, as the Chief Investment Officer, shall maintain a system of internal controls and written operational procedures that shall be documented. The controls shall be designed to prevent the loss of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by authorized investment officers.
In addition, the City Treasurer has established a system of internal controls to ensure that staff positions and functional duties are adequately segregated for separation of duties between the investment and accounting operations.

These controls shall be tested and reviewed periodically by external auditors during the audit.

15.0 TRAINING

Those persons under the supervision of the Treasurer who are authorized to execute investment transactions shall attend at least one investment training session within twelve (12) months after assuming their duties and shall receive not less than ten (10) hours of instruction relating to investment responsibilities during a two-year period that begins on the first day of the City's fiscal year following the initial ten (10) hours of instruction and consists of the two consecutive fiscal years after that date. The Treasurer is authorized to engage an independent third party with no preexisting contractual relationship with the Office to provide this training, which shall include education in investment controls, security risks, market risks, diversification of investment portfolio and compliance with applicable laws. Any failure to comply with section 2-32-615 of the Municipal Code shall not invalida Translate » ent transaction undertaken by any person under the supervision of the Treasurer.

16.0 PERFORMANCE EVALUATION

The City Treasurer will utilize the average three-month U.S. Treasury Bill return or other appropriate benchmarks to determine whether market average yields are being achieved.

17.0 TREASURER'S REVIEWS AND REPORTS RESERVED.

1. The treasurer shall conduct a review on a monthly basis of the current total holdings across all funds, including cash positions; portfolios, mark to market valuations; credit quality for each security; and additional compliance issues.
2. The treasurer shall, on or before the first day of February of each year, submit a report to the city council that details the performance of the total holdings across all funds held by the treasurer's office, including asset allocation, cash position and overall credit quality as of December 31 of the preceding year.
3. The treasurer shall, on or before the first day of February of each year, submit a report to the city council on the written investment policy for compliance as of December 31 of the preceding year, and present any recommendations for changes.

18.0 PERIODIC REVIEW

An annual independent audit and review of the Office's books and records will be performed to evaluate the nature of overall portfolio investment activities and to verify invested funds. The independent audit review will also examine procedures and written guidelines and established internal control mechanisms to ensure compliance with the objectives of this Policy.

19.0 MINORITY-OWNED FINANCIAL INSTITUTIONS

When investing or depositing public funds, each custodian for the City Treasurer shall, to the extent permitted by the Public Funds Investment Act (30 ILCS 235) and by the lawful and reasonable performance of his or her custodial duties, invest or deposit such funds with or in minority-owned financial institutions within the City.

20.0 HUMAN RIGHTS

It is the policy of the City Treasurer and in compliance with Section 2-160-030 of the Municipal Code that discrimination on the basis of race, color, religion, age, national origin, gender, sexual orientation, ancestry, disability, marital status, parental status, source of income or military discharge status will not be tolerated.

21.0 POLICY ADOPTION AND AMENDMENT

This Policy may be reviewed from time to time and amended by the City Treasurer and shall be consistent with the provisions of the Municipal Code pertaining to investments. Copies of the written policy and any amendments thereto shall be kept on file with the city clerk and the comptroller, and shall be submitted annually, or if amended, no later than 30 days after such amendment, to the chairman of the city council on finance and the chief investment officer.

City Treasurer's Office
City of Chicago
121 North LaSalle Street
City Hall, Room 106
Chicago, Illinois 60602

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor’s Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-17 Municipal Bank Cost

The attached information is in response to questions posed at our department’s hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Vasquez requested an analysis on the funding that would be necessary to create and operate a municipal bank.

Financial experts have estimated that it takes at least $200 million dollars to start a municipal bank. The Civic Federation has collected information on this topic which can be found at: https://www.civicfed.org/civic-federation/blog/public-bank-city-chicago.

We are in the process of determining how to fund and conduct the requested analysis. Given the timing, available department resources, we will require more time than allotted by the 72-hour response window. We plan to develop a timetable that will provide an accurate analysis and review schedule, and will provide this schedule to the Committee Chair once it is completed.

As always, please let me know if you have any further questions.

OFFICE OF THE CITY TREASURER MELISSA CONYEARS-ERVIN
CITY OF CHICAGO

To: The Honorable Pat Dowell
Chairman, Committee on the Budget and Government Operations

From: Melissa Conyears-Ervin
Treasurer

CC: Tiffany Sostrin
Mayor's Office of Intergovernmental Affairs

Date: October 31, 2019

Re: Request for Information from Annual Appropriation Committee Hearing

ID#: 28-18 Rate of Return

The attached information is in response to questions posed at our department's hearing on October 29, 2019 to discuss the proposed 2020 budget.

Alderman Scott requested information regarding the rate of return on investments for the Chicago Community Catalyst Fund.

The money in the Catalyst Fund is being actively invested as part of the CTO's portfolio and has yielded a 2.4 percent return since inception.

As always, please let me know if you have any further questions.

121 NORTH LASALLE STREET, ROOM 107, CHICAGO, ILLINOIS 60602
WWW.CHICITYCLERK.COM