

Firemen's Annuity & Benefit Fund of Chicago
Request for Proposal for Investment Advisor ("RFP")



SECTION 1 – OVERVIEW

1.1 INTRODUCTION

The Firemen's Annuity & Benefit Fund of Chicago ("the Fund") is searching for an investment advisor (acting in the capacity of a fiduciary to the Fund) to manage the following investment mandate:

- 1. US Treasury Inflation Protected Securities (TIPS). The approximate mandate will be \$20 million, representing a 2.0% target allocation of the total Fund portfolio.**

The Fund shall conduct the RFP process in accordance with applicable provisions of the Illinois Pension Code, the Fund's Ethics Policy and any other relevant authority under the Illinois Compiled Statutes. The Fund will post notice of this RFP on its website and at least one industry periodical. Neither this RFP nor any response to this RFP shall be construed as a legal offer. The Fund reserves the right to reject any or all proposals submitted. All material submitted in response to the RFP will become the property of the Fund. The Fund is not responsible for any costs incurred by the Respondents in responding to this RFP.

A qualifying investment advisor responding to this RFP must be a registered investment advisor under the Investment Advisors Act of 1940. A firm submitting a proposal shall be referred to as a "Respondent" or "Firm" throughout this RFP.

Subject to 40 ILCS 5/1-145 of the Illinois Pension Code, no Respondent shall retain a person or entity to influence (i) the outcome of an investment decision or (ii) the procurement of investment advice or services of the Fund for compensation contingent, in whole or in part, upon the decision or procurement.

All forms needed for submitting a response to this RFP are available on the Fund's website at: <http://www.fabf.org>. **Respondents to this RFP are responsible for monitoring the Fund's website for information pertaining to the RFP while the RFP is outstanding.**

The Fund reserves the right to reject any or all proposals submitted. All proposals submitted will be evaluated by members of the Fund's investment staff, the Fund's consultant and/or the Fund's Board of Trustees, as applicable. Firms may be asked to make formal presentations of their proposals to the investment staff, the Fund's consultant, the Investment Committee and/or the Board of Trustees. Selection of the investment advisor is subject to final approval by the Fund's Board of Trustees.

The Fund is a defined benefit, single employer public pension plan that was established by the Illinois General Assembly to provide disability and retirement benefits to qualified employees of the Chicago Fire Department. The sole purpose of the Fund is to pay benefits to its members and beneficiaries, which are funded through a combination of member contributions, taxes levied by the City of Chicago, and investment earnings. The Fund's net assets total approximately \$895 million as of the date of this RFP. The Fund utilizes external investment managers and is diversified across multiple asset classes. More information regarding the Fund may be found by reviewing the Illinois Pension Code (40 ILCS 5/1 *et seq.*, Article 6) and the Fund's website at <http://www.fabf.org>.

The Fund's portfolio is a fully invested, diversified, global portfolio managed entirely by external investment advisors. The Fund's target allocation, as of January 31, 2018, is as follows:

Broad US Equity	35%
Global ex-US Equity	25%
Fixed Income	20%
Real Return:	
TIPS	2%
Commodities	2%
Global REITs	4%
Real Estate	4%
Private Equity	4%
Liquid Diversifying Assets	4%

It is the public policy of the State of Illinois to encourage the Fund's Board of Trustees to increase the racial, ethnic, and gender diversity of its fiduciaries to the greatest extent feasible within the bounds of financial and fiduciary prudence. In furtherance of the Illinois public policy and the requirements of the Illinois Pension Code, it is the goal of the Board of Trustees to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its external investment managers and consultants (4 ILCS 5/1-109.1).

1.2 SUBMISSION OF PROPOSAL

Interested Firms must submit an email to Callan by March 9th, 2018 indicating their intent to participate in the Fund's RFP for an Investment Advisor. In addition, interested parties must ensure that all required information has been submitted to the Callan Manager database in accordance with this RFP. Investment managers indicating their intent to respond must also certify the responding firm meets the minimum guidelines and disclosures required by this RFP.

Emails indicating intent to participate:

Email should be sent to ChicagoFireSearches@callan.com

Subject Line: Chicago Fire RFP: - US TIPS Search

Email Body: Please include the firm name, product name and appropriate contact.

Please include a statement indicating the responding firm meets the minimum requirements and please provide the required disclosures as required in this RFP.

**To gain access to Callan's Manager Database
please visit http://www.callan.com/datatools/questionnaire_jump/**

OR

**Send an email directly to database@callan.com
for access details and further instructions**

Firms which indicate their intent to respond are not required to complete a full proposal. Semi-finalist candidates will be notified and asked to complete a full proposal. All proposals must be complete in every respect and must answer clearly and concisely all questions presented in this RFP. Semi-finalist candidates are required to respond to this RFP in the form of a presentation booklet. This booklet must address the questions and requests for information in this RFP and RFP Questionnaire. No additional documents (e.g. firm investment research, articles, etc.) are to be submitted.

Three (3) hardcopies of the proposal and an email version must be received by the Fund's consultant in the required timeframe provided in this RFP.

Hard copy submissions must be addressed and delivered to:

Callan LLC

Attn: Brady O'Connell– Chicago Fire SIA – US TIPS

120 N. LaSalle Street

Suite 2400

Chicago, IL 60068

Email versions should be sent to ChicagoFireSearches@callan.com

1.3 INQUIRIES

During the evaluation process, the Fund retains the right to request additional information or clarification from Respondents.

Verbal inquiries from Respondents will not be accepted. All questions pertaining to this RFP should only be submitted via email to: ChicagoFireSearches@callan.com

All inquiries must be received no later than March 2nd, 2018. Generalized responses to inquiries will be posted to the Fund's website no later than March 7th, 2018.

1.4 DISCLOSURE OF SUBMITTED PROPOSALS

Illinois law requires that at the conclusion of the selection process, the contents of all proposals may be placed in the public domain and be open to inspection by interested parties consistent with the requirements of the Freedom of Information Act. (5 ILCS 140/1 *et seq*). Trade secrets or proprietary information must be clearly identified as such in the proposal. The Respondent must also specify which statutory exemption applies for each piece of confidential information consistent with the requirements of the Freedom of Information Act. Any claim of privileged or confidentiality is not definitive and the Fund has the right and the legal obligation to determine whether such information is exempt from disclosure under the Freedom of Information Act. The Fund reserves the right to make all determinations with respect to whether something is exempt from disclosure pursuant to the Freedom of Information Act and Respondents shall have no claim against the Fund for any materials that the Fund discloses pursuant to its obligations under the Freedom of Information Act.

1.5 SIGNATURE OF RESPONDENT

The tendered documents, and any clarifications included, shall be signed by an officer of the submitting Firm or a designated agent empowered to bind the Firm in a contract.

1.6 TIMELINE FOR AWARD OF MANDATE

Deadline for RFP Questions	March 2, 2018
RFP Intent to Participate Due Date	March 7, 2018
Semi-Finalist Notification	March 31, 2018
RFP Submission Due Date	April 30, 2018
Finalist Presentation	May 23, 2018
Tentative Selection of Manager	May 31, 2018
Tentative Funding Date	June 1, 2018

*****The timeline is subject to change. Any changes to the timeline will be communicated to all known Respondents and posted on the Fund’s website*****

Any Firms failing to submit proposals in the time-line provided above or Firms submitting incomplete responses will not be considered.

SECTION 2 – MINIMUM REQUIREMENTS

In order to be considered for selection, the Respondent must provide documented proof that the following minimum qualifications listed below are met.

1. The Company is duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940.
2. The Company must have a documented and verifiable three-year track record for managing US TIPS portfolios.
3. The Fund’s investment mandate must not represent more than 20% of the Company’s total firm assets or 20% of the proposed strategy total assets.
4. The company and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law.
5. The company will carry errors and omissions insurance or comparable instruments to cover negligent acts or omissions.
6. The company must provide audited financial statements and provide three copies of their ADV’s.
7. The company must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.
8. The company must have a company policy and practice of equal employment opportunity and non-discrimination based on race, creed and/or gender.
9. The company must comply with the Fund’s Minority, Women, and Disabled Business Enterprises (“MWDBE”) brokerage policy.
10. The company must comply with the Fund’s Ethics Policy and the Fund’s Investment Policy Statement.

11. All candidate firms must also have their information in the Callan database (www.callan.com/datatools/questionnaire_jump/), in addition to submitting proposals to this RFP---this must be done prior to indicating the intent to respond to the RFP. This website includes a demographic section for organizational information as well as detailed product information sections. All sections must be completed.
12. Firm shall provide monthly, quarterly, and annual performance reports and portfolio valuations to the Fund and Callan.
13. The Manager will document all investment transactions with the Fund's master custodian in accordance with the usual and customary standards of practice and confirm all executed transactions from custodial account records; the Fund's current master custodian is Northern Trust.

SECTION 3 – SELECTION AND EVALUATION PROCESS

3.1 – CANDIDATE REVIEW PROCESS

The Fund’s investment staff and its consultant shall objectively review the responses received to identify qualified candidates based solely on the criteria presented in the RFP and information obtained from Callan’s Manager Database. The investment consultant will identify all proposals received from minority, women and disabled person’s business enterprises (“MWDBE”).

The Fund’s Board of Trustees, investment staff and consultant members may interview all, some, or none of the RFP respondents. Investment Committee members, investment staff and the consultant may undertake site visits to Respondent offices, and conduct such other due diligence the Fund’s Investment Committee deems appropriate.

The Fund’s investment staff and consultant will recommend finalists to the Investment Committee and/or Board of Trustees, as applicable, during a public meeting of the Investment Committee or Fund Board of Trustees meeting, as applicable, including at least one qualified MWDBE Respondent, if appropriate.

The Investment Committee may interview finalists and will determine if a recommendation for the award of a contract will be made to the Board of Trustees.

The Fund reserves the right to award this mandate to the investment advisor which, in its sole opinion, will provide the best match to the requirements of the RFP for Investment Advisor, to reject any Respondents due to noncompliance with the requirements and instructions in the RFP and not to hire or defer the hiring of a Firm for investment management services.

3.2 – CALLAN’S MANAGER DATABASE

All Respondents must accurately submit their information into the Callan database **prior to the response deadline**. Candidates who have incorrectly entered (e.g. – missing performance data & asset levels) their information may not be considered for this award.

Investment return data streams and asset level data
(firm-wide and at the product level) should be updated through December 31, 2017

**To gain access to Callan’s Manager Database
please visit http://www.callan.com/datatools/questionnaire_jump/**

OR

**Send an email directly to database@callan.com
for access details and further instructions**

Neither the Fund nor Callan will be held responsible for any manager who does not gain access and upload their information to the database prior to the response deadline.

3.3 – QUIET PERIOD

A Quiet Period will be in effect during the entire RFP process. The Quiet Period is the period of time beginning when the RFP is issued and ends when the Fund’s Board of Trustees declares the process to be completed. The purpose of the Quiet Period is to ensure that all Respondents have equal access

to all information regarding the search objective and requirements, to be certain that communications are consistent and accurate and to make the search and selection process diligent, efficient, and fair.

Respondents shall not contact any member of the Fund's Board of Trustees or Fund staff during the Quiet Period and should direct all questions and communications as directed in Section 1.3 of this RFP.

Communication which takes place during a formal site visit or interview conducted as part of the investment advisor search, as directed by the Fund's Investment Committee, is permitted. The Quiet Period does not prevent Board and Fund Staff approved due diligence, client conference attendance or communications with an existing service provider that happens to be a candidate in the ordinary course of services provided by such service provider; however, discussions related to the pending selection shall be avoided during those activities.

Respondents may be disqualified for violating the terms of the Quiet Period. Offering or providing anything of value (meals, travel, hotel, etc.) to the Fund's Trustees or Staff is strictly prohibited and may result in immediate disqualification.

SECTION 4 –SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE

4.1 PRESENTATION REQUIREMENTS:

Semi-finalist candidates are required to provide a presentation booklet that includes answers to the RFP questionnaire, and additional details on the firm, investment team, and investment strategy. Separate documents, including firm investment research and/or marketing materials should not be used.

4.2 PRESENTATION FORMAT:

The Statement of Certification included in this RFP must be displayed ahead of your firm's responses to the RFP Questionnaire.

Sample Presentation Format Only:

Section 1: Statement of Certification

Section 2: Responses to Search for Investment Advisor Questionnaire

- a. Organizational Information
- b. Investment Team and Strategy Information
- c. Fee Information
- d. Contact Information
- e. Additional Disclosures

SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE

US TIPS

Respondents are required to provide a presentation booklet that, at a minimum, contains the following information:

1. Organizational Information (as of December 31, 2017)

- EEOC Chart
- Firm Inception Date
- Ownership Structure
- All Related And Affiliated Firms
- Organizational Chart, With Brief Biographies Of All Key Personnel
- Number Of Institutional Clients
- Number And Name Of Public Plan Clients
- Number And Location Of Additional Offices
- Investment Team Turnover For The Last Five Years
- Current Assets Under Management For the Firm, Investment Division and Strategy
- Historical Assets Under Management For the Firm, Investment Division and Strategy
- Plans To Develop And Expand Resources
- Plans To Merge With or Acquire Other Firms
- Plans To Spin Off Subsidiaries or To Be Spun Off By A Parent Firm

2. Investment Team and Strategy Information

- Investment Philosophy
- Investment Team Structure and Investment Vetting Process
- Historical Risk/Return Characteristics
- Historical and Projected Tracking Error of Strategy and Portfolio Turnover
- Portfolio Construction Methodology
- Number of Positions Typically Held

3. Fee Information

- Proposed Fees and Breakpoints
- Available Vehicle Types

4. Contact Information

Respondents must provide a page (in the presentation booklet) that contains the following information: Firm name, business address, business telephone number, and business fax number. Please also provide contact information (name, email address, and phone number) for a client representative.

5. Additional Disclosures

In accordance with the Fund's Procurement Policy and Illinois Pension Code, all Respondents are required to disclose the following information along with their proposal:

- a. The method for charging and measuring fees, based on the assets under management, including disclosure of the direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the Investment Adviser in connection with the provisions of Investment Services to the Fund;
- b. The names and addresses of: the Investment Adviser; any entity that is a parent of, or owns a controlling interest in, the Investment Adviser; any entity that is a subsidiary of, or in which a controlling interest is owned by the Investment Adviser; any persons who have an ownership or distributive income share in the Investment Adviser that is in excess of 7.5%; or serves as an executive officer of the Investment Adviser; and
- c. The names and addresses of all subcontractors, if any, and the expected amount of money each will receive under the contract. For purposes of this subsection, "subcontractor" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy voting services, services used to track compliance with legal standards, and investment fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships.
- d. Statement that the proposal is being made without fraud or collusion; that the Respondent has not offered/received any finder's fees, inducements or any other forms of remuneration, monetary or non-monetary, to/from any individual or entity relating to the RFP, the Respondent's proposal or the Fund's selection.
- e. Statement that discloses any current business relationship or any current negotiations for prospective business with the Fund, the Fund's Executive Director, the Fund's Investment Staff, or any member of the Board.
- f. Public Act 98-1022 amends the Illinois Pension Code to require certain disclosures regarding utilization of minorities, females and persons with a disability. The terms "minority owned business," "female owned business", and "business owned by a person with a disability" are as defined in the Business Enterprise for Minorities, Females and Persons with Disabilities Act. In accordance with the Act, all vendors submitting bidding proposals the Fund must disclose the following numerical data:

1. The number of the vendor's investment and senior staff and the percentage of its investment and senior staff who are a (i) minority person, (ii) female, or (iii) person with a disability;
2. The number of contracts, oral or written, that the vendor has in place for investment services, consulting services, and professional and artistic services that constitute 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, that the vendor has in place for investment services, consulting services, and professional and artistic services where more than 50% of services performed pursuant to a contract are performed by a (i) minority person, (ii) female, or (iii) person with a disability but do not constitute a business owned by a minority, female or person with a disability.

**Please note that a number must be provided. Your response may be "0" but please do not state "Not applicable" or leave a blank. If your Firm does not track this information, please perform a reasonable review of your service provider relationships and answer to the best of your knowledge.

STATEMENT OF CERTIFICATION

By submitting this Search for Investment Advisor Questionnaire, (Company Name) certifies the following statements are true:

The firm is duly registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940.

The firm agrees to act as a fiduciary to the Fund in accordance with Illinois Pension Code.

The product submitted for review has a documented and verifiable three-year track record.

The Fund's approximate investment mandate does not represent more than 20% of the firm's total assets or 20% of the proposed strategy total assets.

The firm carries errors and omissions insurance to cover negligent acts or omissions.

The firm has a company policy and practice of equal employment opportunity and non-discrimination based on race, gender and/or creed.

There are no past or present litigation or regulatory actions against the firm or any current employees at the time of submitting the RFP proposal.

No fees, direct or indirect, commissions, penalties and other compensation including reimbursement for expenses for expenses paid by or on behalf of the Investment Advisor in connection with the provision of services to the Fund have been paid.

All requested firm information has been submitted to Callan's database (http://www.callan.com/datatools/questionnaire_jump/).

The Firm understands and will comply with the Fund's Quiet Period Policy.

The Firm understands and will comply with the Fund's Ethics Policy and the Fund's Investment Policy Statement.

The Firm understands and will comply with the Fund's MWDBE Brokerage Policy.

The Firm understands and will comply with the Fund's reporting requirements.

The Firm understands that the Fund accepts no obligation for costs incurred by the Respondents in anticipation of being awarded a contract.

The Firm understands that the Fund is exempt from federal, state and local taxes and will not be responsible for any taxes levied on the Respondent as a result of any contract resulting from this RFP.

Signature

Name

Date

Title

Attachments to this Search for Investment Advisor:

1. FABF Brokerage Policy
2. FABF Statement of Investment Policy

FUND BROKERAGE POLICY

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.

Minority, female and disabled person-owned business enterprises (“MFDBE”) are defined as a sole proprietorship, partnership, or corporation owned, operated, and controlled by minority, female and disabled group members who have at least 51% ownership. 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, female and disabled person business enterprise firms as defined.

Each Investment Manager shall submit a quarterly report detailing the use of minority, female 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 10% of its fixed income transactional amounts and at least 20% of its equity-related commissions be placed with MFDBE broker/dealers.

Statement of Investment Policy

January 2018

**The Retirement Board of the
Firemen's Annuity and Benefit Fund of Chicago**

20 South Clark Street – Suite 1400
Chicago, Illinois 60603

(312) 726-5823
(800) 782-7425

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**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, Article 1 and Article 6 of the Illinois Compiled Statutes (the "Code"), as amended from time to time. The Fund is directed 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 and related entities.

SCOPE AND PURPOSE OF INVESTMENT POLICY

Scope

This Statement of Investment Policy 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 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. monthly Investment Committee meeting,
 - 2. biennial Investment Manager Symposium,
 - 3. presentations by current or prospective investment managers,
 - 4. staff planning sessions, as necessary,
 - 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. **Custodian(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.

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. 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.

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 four 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 the Board.

An asset liability modeling (ALM) study shall be completed in no longer than four year intervals. An ALM may be conducted more frequently, or deferred, as determined by a majority vote of the Board.

<u>Equity</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Broad US Equity	35%	31%	39%
<i>Large Cap US Equity</i>	21%	17%	25%
<i>Small/Mid Cap US Equity</i>	14%	10%	18%
Global Ex-US Equity	25%	21%	29%
<i>International Equity</i>	20%	16%	24%
<i>Emerging Markets Equity</i>	5%	1%	9%
Private Equity	4%	0%	8%
Total Equities	64%	60%	68%
<u>Real Assets</u>			
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%
<u>Fixed Income</u>			
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 Total Fund Performance Benchmark, or Policy Target.

<u>Equity</u>	<u>Performance Benchmark</u>
Broad US Equity <i>Large Cap US Equity</i> <i>Small/Mid Cap US Equity</i>	Russell 3000 Index <i>Russell 1000 Index</i> <i>Russell 2500 Index</i>
Global Ex-US Equity <i>International Equity</i> <i>Emerging Markets Equity</i>	MSCI All Country World Ex-US Index IMI <i>MSCI EAFE Index</i> <i>MSCI Emerging Markets Index</i>
Private Equity	Russell 3000 Index + 3%

<u>Real Assets</u>	
Commodities	50% Bloomberg Commodity Index / 50% DJ UBS Commodity Index
TIPS	Bloomberg Barclays US TIPS Index
Core Real Estate	NCREIF ODCE Index
Global REITs	FTSE EPRA NAREIT Developed Global Real Estate Index

<u>Fixed Income</u>	
Core Fixed Income	Bloomberg Barclays Aggregate Bond Index
Liquid Diversifying Cash	60% MSCI ACWI / 40% Bloomberg Barclays Gl. Aggregate Bond Index 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.

In the event that the Fund has a significant cash surplus in any one month, the Fund CIO, in consultation with members of the City of Chicago's Treasurers Office, and after receiving Board approval, is authorized to invest the surplus in a money market fund maintained at the City Treasurer's Office or to purchase suitable short-term instruments of less than one year in duration for cash management and investment purposes.

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 Addendum for Securities Lending Cash Collateral Reinvestment.

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 maintained in a separate document. . Each manager shall receive a written statement outlining specific goals and constraints as approved by the Retirement Board of the Firemen's Annuity and Benefit Fund of Chicago.

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

Goal Range

A.) By asset class

Equity	7% to 10%
Fixed Income	7 % to 10%
Real Assets	7% to 10%

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

B.) By ownership classification

Minority	8% to 12%
Women	4 % to 8%
Disabled Persons	0% to 4%

These goals shall be reviewed annually.

- 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. 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 10% of its fixed income transactional amounts and at least 20% of its equity related commissions be placed with MWDBE broker/dealers.

- 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. 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. It is the goal of the Fund to have 7-10% of its assets, across all asset classes, managed by MWDBE investment managers.

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. 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.

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.

*- 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 1400
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 and the limitations set forth within this document 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.

¹ As measured by a universe of similar public funds.

² The following table displays the composition of the benchmark Index for various time periods:

**Reference Index
Allocations**

	From: To:	12/31/1995 06/30/1996	06/30/1996 09/30/1996	09/30/1996 12/31/1996	12/31/1996 06/30/1997	06/30/1997 12/31/1997	12/31/1997 12/31/1998	12/31/1998 03/31/1999	03/31/1999 06/30/2000	06/30/2000 03/31/2001	03/31/2001 12/31/2002	12/31/2002 12/31/2004	12/31/2004 01/31/2005	01/31/2005 02/28/2006	02/28/2006 08/31/2006	08/31/2006 03/31/2008	04/01/2008 05/30/2012	06/01/2012 02/01/2018	
Russell 1000			26.0	30.0	30.0	30.0	30.0	31.0	34.0	34.0	40.0	40.0	40.0	40.0	44.5	43.0	43.0	27.0	24.0
S&P Mid Cap			0.0	0.0	0.0	0.0	0.0	5.0	5.0	5.0	5.0	5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Russell 2500			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	8.0	25.0	20.0	20.0	20.0	16.0	16.0	
Russell 2000			21.0	21.0	21.0	21.0	21.0	20.0	17.0	17.0	20.0	20.0	12.0	0.0	0.0	0.0	0.0	0.0	0.0
MSCI EAFE			16.0	12.0	12.0	12.0	12.0	15.0	15.0	15.0	16.0	13.0	13.0	12.0	12.0	9.0	9.0	0.0	0.0
MSCI ACWI ex. US			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	22.0	25.0	
Citigroup Ext. Mkt ex. US			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	0.0	
MSCI EMF			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	3.0	3.0	3.0	3.0	3.0	0.0	0.0	
BC Agg			0.0	0.0	0.0	0.0	27.3	22.4	22.4	25.0	15.0	15.0	19.0	19.0	19.0	19.0	15.0	21.0	
BC G/C			32.0	37.0	33.7	30.1	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
FB High Yield			0.0	0.0	1.6	5.2	8.0	5.2	5.2	4.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
ML High Yield			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
JP Morgan Non-US Bond			0.0	0.0	1.7	1.7	1.7	1.4	1.4	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
BC 1-3 Govt			5.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	
DJ-UBS Commod			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5	1.5	2.0	1.5	
GSCI			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1.5	1.5	2.0	1.5	
FTSE NAREIT Global			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	6.0	2.0	
Russell 3000 + 5.0%			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	3.0	
1 Month LIBOR			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	0.0	
1 Month LIBOR + 3.0%			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	3.0	2.0	
90 day T-bills			0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	4.0	

- 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.

Three (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:

1. **ASSET LISTING:** A complete list of all portfolio holdings, including securities' names, amount owned, cost and market valuations, and percentage of total portfolio.
2. **INCOME EARNED:** A statement of income earned on the portfolio, including all interest, dividends and realized gains and losses. A statement of portfolio yields shall also be included.
3. **A STATEMENT OF INVESTMENT PERFORMANCE:** Expressed in percentage increase/decrease for the following periods: Month, Year To Date, One Year, Three Year, Five Year, and Since Inception. Comparative statistics for the specific Benchmarks should also be included.
4. A statement of transactions by broker, disclosing total shares/par value traded, total commissions paid, as well as step-outs and other non-direct trading commissions paid. Also denote brokerage firms designated as Minority, Women and Disabled Veteran business enterprises (MWDDBE) and the

ON A QUARTERLY BASIS:

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 short and long term expectations for the account.
2. **A RECONCILIATION:** At original cost, between the managers records and those provided by the Fund's Custodian. Differences in cash due to unsettled trades should be so noted as well as any differences in carrying value of securities.
3. **A SUMMARY REPORT** of all year to date transactions by the account on behalf of the Fund. Information provided shall include the dollar amount of any principal traded, any commissions, or fees paid the brokerage agency through which the trade was conducted. Notation shall be given to those transactions conducted through minority, women and disabled persons owned firms. Additional notation shall be given to the type of commissions paid to each broker whether direct,

step-out or soft dollar. Soft dollar commission payments require detailed disclosure of services rendered for such payment..

4. **A RECORD OF PROXY VOTING:** A statement of all proxies voted shall be prepared each quarter.

5. **FINANCIAL CHARACTERISTICS** of portfolio vs. specific benchmark.

6. **NOTIFICATION OF GUIDELINE VIOLATIONS**, listed for the quarter along with the related remedy.

ON AN ANNUAL BASIS:

In addition to the above reports, the following will be completed:

1. **BROKERAGE CERTIFICATION:** A statement certifying manager's compliance with Section 1-113.2 of the Illinois Pension Code and the Fund's minority, women and disabled persons brokerage goals.

2. **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.