

# Statement of Investment Policy

January 2010

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

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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 current language of these governing statutes is contained in the Appendix of this document entitled ILLINOIS STATE STATUTES. 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. Provide specific guidelines and define limitations for all Investment Managers regarding the investment of Fund assets;
4. Establish a basis for evaluating investment results;
5. 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:** The Investment Consultant is an advisor to the Board retained to provide investment management advice and acts as a fiduciary for the purposes of the duties assumed under the Consulting Services Agreement. The Investment Consultant 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 of this Investment Policy ("Statement") 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 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:** 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 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 may also perform additional contracted services including but not limited to securities lending, portfolio analysis, performance reporting and computer accessible reporting.

**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 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 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 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 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.

<b><u>Equity</u></b>	<b><u>Target</u></b>	<b><u>Minimum</u></b>	<b><u>Maximum</u></b>
Domestic Large Cap Equity	27%	20%	40%
Domestic Mid/Small Cap Equity	16%	10%	24%
International Equity	18%	12%	25%
Emerging Markets Equity	4%	0%	6%
<b>Total Equities</b>	<b>65%</b>	<b>55%</b>	<b>75%</b>
<b><u>Alternative Investments</u></b>			
Commodities	4%	0%	6%
Private Equity	4%	0%	6%
Real Estate	6%	0%	10%
Hedge Funds	3%	0%	5%
Foreign and Domestic Currency	3%	0%	5%
<b>Total Alternative Investments</b>	<b>20%</b>	<b>0%</b>	<b>32%</b>
<b><u>Fixed Income</u></b>			
Market Fixed Income	15%	15%	30%
<b>Total Fixed Income</b>	<b>15%</b>	<b>15%</b>	<b>30%</b>
<b><u>Total</u></b>	<b><u>100%</u></b>		

**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.

In the second week of each month, the Chief Investment Officer (CIO) 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 GUIDELINES

### 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 will provide agreed upon indemnification to the Fund (the Lender) from and against any losses, damages, costs and expenses which arise from a borrower defaulting on a loan or filing for bankruptcy. Upon notification of default by the 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. 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.

**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 (Section VI). 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 levels may be raised, as is prudent, for defensive purposes.
3. **Portfolio Diversification:** In order to achieve a prudent level of portfolio diversification, the securities of any one company shall not exceed the greater of 5% of the total portfolio or three (3) percentage points over the Index weighting unless otherwise stated. Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 150% of the Index weighting measured at market value unless otherwise stated. Unless otherwise noted, percentage references are to be applied to the market value of the portfolio under consideration.
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 incorporated as part of this Statement in Section VII: SPECIFIC OBJECTIVES AND GUIDELINES FOR INDIVIDUALLY MANAGED PORTFOLIOS. 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. 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 90 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, it is the policy of the Fund to utilize Minority, Female and Disabled Persons owned brokerage services, as defined in the Illinois Business whenever possible.

**- SECTION IV -**  
***MINORITY, FEMALE 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.

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 10-20% of its commissions or transactions to be placed with MFDBE 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, female and disabled person-owned business enterprises (MFDBE) 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 MFDBE 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 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 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 (quarterly) and Custodian (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, female 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 a manager cannot be made by 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 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 plan 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. Within the stock and bond markets, a complete cycle usually has a span of 4 to 6 years. 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 shorter 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", "female-owned business" or "persons with a disability owned business" as those terms are defined in the Illinois Business Enterprise for Minorities, Females and Persons with Disabilities 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 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 following sections outline the specific objectives and guidelines established for each asset and management category. These objectives and guidelines will provide a basis for evaluating the effectiveness of each Investment Manager and the overall investment program over time.

**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.
- It is the Board's determination that it is in the best interests of the participants and beneficiaries of the Fund to support a decision of the State of Illinois or the City of Chicago to divest from, or to prohibit the investment of assets of the Fund in a person that the State or City determines poses a financial or reputational risk as a result of their direct investment in certain Sudanese sectors. For purposes of this policy, "person" shall mean "a natural person, corporation, company, business association, partnership, society, trust, any other nongovernmental entity, organization or group."

It is, therefore, the policy of the Fund to prohibit investments in any person that the State of Illinois, or City of Chicago, determines are conducting or have direct investment in "business operations" in Sudan, as defined in the Sudan Accountability and Divestment Act of 2007. Assets of the Fund already invested in a "person" with "business operations" in Sudan may be divested if the Board concludes, based on written information provided by an investment manager, that such divestiture is in the economic interests of the Fund.

- Do not 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**

Time Horizon	Performance Standard	
	Universe	Index
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Universe. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in upper 33% of a Universe. <sup>1</sup>	Exceed the return on a benchmark Index by 1% after fees. <sup>2</sup>

**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.

<sup>1</sup> As measured by a universe of public funds.

<sup>2</sup> The following table displays the composition of the benchmark Index for various time periods:

**Reference Index Allocations**  
For the Quarter Ended September 30, 2009

	From:	12/31/95	6/30/96	9/30/96	12/31/96	6/30/97	12/31/97	12/31/98	3/31/99	6/30/00	3/31/01	12/31/02	12/31/04	1/31/05	2/28/06	8/31/06	8/31/06	4/1/08
	To:	6/30/96	9/30/96	12/31/96	6/30/97	12/31/97	12/31/98	3/31/99	6/30/00	3/31/01	12/31/02	12/31/04	1/31/05	2/28/06	8/31/06	3/31/08	Present	
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	
S&P MidCap		0.0	0.0	0.0	0.0	0.0	5.0	5.0	5.0	5.0	5.0	5.0	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	0.0	8.0	25.0	20.0	20.0	20.0	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	
MSCI EAFE		16.0	12.0	12.0	12.0	12.0	15.0	15.0	15.0	16.0	13.0	13.0	13.0	12.0	12.0	9.0	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	0.0	22.0	
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	0.0	3.0	0.0	
MSCI EMF		0.0	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	
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	19.0	15.0	
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 HighYield		0.0	0.0	1.6	5.2	8.0	5.2	4.0	4.0	0.0	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-AIG Commod		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	1.5	2.0	
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	0.0	1.5	1.5	2.0	
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	0.0	6.0	
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	0.0	4.0	
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	0.0	3.0	
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	0.0	3.0	

Prior to 12/31/95, the benchmark Index was constructed using the asset allocation breakdown, based on beginning market value, of the managers in place during the respective quarter.

## SUMMARY OF PERFORMANCE STANDARDS

<u>MANAGERS</u>	<u>COMPARATIVE (BY STYLE): LESS THAN ONE MARKET CYCLE (APPROX. 1-3 YEARS)</u>	<u>RELATIVE: ONE MARKET CYCLE (APPROX. 4-6 YEARS)</u>		<u>ADR LIMIT</u>
		<u>VS. UNIVERSE</u>	<u>VS. INDEX (AFTER FEES)</u>	
<u>Dom. Large Cap Index</u>				
RhumbLine	N/A	N/A	Track the Russell 1000 Index +/- 35 bps	5%
<u>Dom. Large Cap Enhanced Index</u>				
Chicago Equity Partners	N/A	N/A	Russell 1000 Index + 1%	5%
<u>Dom. Large Cap Value Equity</u>				
Boston Company	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 1000 Value Index + 1%	15%
Evergreen Investments	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 1000 Value Index + 1%	10%
<u>Dom. Large Cap Growth Equity</u>				
Marvin & Palmer	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 1000 Growth Index + 1%	10%
Logan	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 1000 Growth Index + 1%	10%
<u>Dom.Small/Mid Cap Growth Equity</u>				
Globeflex	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 2500 Growth Index + 2%	10%
<u>Dom. Small/Mid Cap Value Equity</u>				
Keeley	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 2500 Value Index + 2%	5%
Neuberger	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 2500 Value Index + 2%	5%
<u>International Equity</u>				
Brandes	Upper 50% of Peer Group	Upper 33% of Peer Group	EAFE Index + 1%	N/A
William Blair	Upper 50% of Peer Group	Upper 33% of Peer Group	EAFE Index + 1%	N/A
GlobeFlex	Upper 50% of Peer Group	Upper 33% of Peer Group	S&P Developed Small Cap ex US + 2%	N/A
LSV	Upper 50% of Peer Group	Upper 33% of Peer Group	EMF Index + 1%	N/A
<u>Domestic Fixed Income</u>				
EARNEST Partners	Upper 50% of Peer Group	Upper 33% of Peer Group	Barclays Capital Aggregate + 0.3%	N/A
<u>Opportunistic Fixed Income</u>				
WAMCO	Upper 50% of Peer Group	Upper 33% of Peer Group	Barclays Capital Aggregate + 0.5%	N/A
Loomis	Upper 50% of Peer Group	Upper 33% of Peer Group	Barclays Capital Aggregate + 1%	N/A
<u>Alternative Investments</u>				
PIMCO	N/A	N/A	DJ UBS Commodity Index	N/A
Credit Suisse	N/A	N/A	GSCI Total Return Index	N/A
Banc of America	N/A	N/A	Russell 3000 Index + 5.0% (and IRR)	N/A
Mesirow Financial	N/A	N/A	Russell 3000 Index + 5.0% (and IRR)	N/A
Muller and Monroe	N/A	N/A	Russell 3000 Index + 5.0% (and IRR)	N/A
Adams Street Partners	N/A	N/A	Russell 3000 Index + 5.0% (and IRR)	N/A
Pomona Capital	N/A	N/A	Russell 3000 Index + 5.0% (and IRR)	N/A
Alliance Bernstein	N/A	N/A	TBD	N/A
Wellington/Advent	N/A	N/A	TBD	N/A
Citigroup Property - FOF	N/A	N/A	NCREIF Property Index	N/A
TOTAL FUND	Upper 50% of Universe	Upper 33% of Universe	Fund Index <sup>1</sup> + 1%	N/A

<sup>1</sup> Blended based on target asset allocation as detailed under objectives and guidelines for Total Fund.

**Manager:** RhumbLine Advisers  
**Role:** Large Cap Index Equity (Russell 1000 Sudan-Free Index)

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	NA	Track the Russell 1000 Index +/- 35 basis points.
One market cycle (approx. 5 years).	NA	Track the Russell 1000 Index +/- 35 basis points.

#### Investment Guidelines

- Appropriate investments consist primarily of common stocks and/or convertible securities.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- The manager is expected to maintain a fully invested position at all times with no more than 1% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Holdings may include up to 5% American Depository Receipts (ADRs).
- Use of Standard & Poor’s Depository Receipts (SPDRs) is permitted for the purposes of liquidity, market exposure, or investment opportunity.

**Manager:** Chicago Equity Partners  
**Role:** Enhanced Index Large Capitalization Equity

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	NA	
One market cycle (approx. 5 years).	NA	Exceed (after fees) the Russell 1000 Index + 1.0%.

#### Investment Guidelines

- Appropriate investments consist primarily of common stocks and/or convertible securities.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- The manager is expected to maintain a fully invested position at all times with no more than 2% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Holdings may include up to 5% American Depository Receipts (ADRs).
- Use of Standard & Poor’s Depository Receipts (SPDRs) is permitted for the purposes of liquidity, market exposure, or investment opportunity.

**Manager:** The Boston Company Asset Management  
**Role:** Active Large Capitalization Value Domestic Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Russell 1000 Value Index + 1%.

#### Investment Guidelines

- Appropriate investments consist primarily of common stocks and/or convertible securities.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position at all times with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Holdings may include up to 15% American Depository Receipts (ADRs).

<sup>1</sup> As measured by the Mercer Large Cap Value Equity Peer Group.

**Manager:** Evergreen Investments

**Role:** Active Concentrated Large Capitalization Value Domestic Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Russell 1000 Value Index + 1%.

#### Investment Guidelines

- Appropriate investments consist primarily of common stocks and/or convertible securities.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 8% of the portfolio or 3% over the Index weighting, measured at market value.
- Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position at all times with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Holdings may include up to 10% American Depository Receipts (ADRs).

<sup>1</sup> As measured by the Mercer Large Cap Value Equity Peer Group.

**Manager:** Marvin & Palmer Associates

**Role:** Active Concentrated Large Capitalization Growth Domestic Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Russell 1000 Growth Index + 1%.

#### Investment Guidelines

- Appropriate investments consist primarily of common stocks and/or convertible securities.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 8% of the portfolio or 3% over the Index weighting, measured at market value.
- Holdings in any one economic sector, as defined by GICS, should not exceed the greater of 35% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position at all times with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Holdings may include up to 10% American Depository Receipts (ADRs).

<sup>1</sup> As measured by the Mercer Large Cap Growth Equity Peer Group.

**Manager:** Logan Capital Management

**Role:** Active Concentrated Large Capitalization Growth Domestic Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Russell 1000 Growth Index + 1%.

#### Investment Guidelines

- Appropriate investments consist primarily of common stocks and/or convertible securities.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 8% of the portfolio or 3% over the Index weighting, measured at market value.
- Holdings in one economic sector, as defined by GICS, should not exceed the greater of 35% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position at all times with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Holdings may include up to 10% American Depository Receipts (ADRs).

<sup>1</sup> As measured by the Mercer Large Cap Growth Equity Peer Group.

**Manager:** GlobeFlex Capital

**Role:** Active Small/Medium Capitalization Growth Domestic Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Russell 2500 Growth Index + 2%.

#### Investment Guidelines

- Appropriate investments consist of common stocks and cash equivalents.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Stocks may be purchased and/or held as long as they continue to reside in the Russell 2500 or Russell 2500 Growth Index. Stocks outside of the Index may be held, but should not have a market capitalization greater than \$10 billion at initial purchase.
- Holdings may include up to 10% American Depository Receipts (ADRs).

<sup>1</sup> As measured by the Mercer SMID Capitalization Growth Equity Peer Group.

**Manager:** Keeley Asset Management

**Role:** Active Small/Medium Capitalization Value Domestic Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Russell 2500 Value Index + 2%.

#### Investment Guidelines

- Appropriate investments consist of common stocks and cash equivalents.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Stocks may be purchased and/or held as long as they continue to reside in the Russell 2500 or Russell 2500 Value Index. Stocks outside of the Index may be held, but should not have a market capitalization greater than \$10 billion at initial purchase.
- Holdings may include up to 5% American Depository Receipts (ADRs).

<sup>1</sup> As measured by the Mercer SMID Capitalization Value Equity Peer Group.

**Manager:** Neuberger Berman

**Role:** Active Small/Medium Capitalization Value Domestic Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Russell 2500 Value Index + 2%.

#### Investment Guidelines

- Appropriate investments consist of common stocks and cash equivalents.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 150% of the Index weighting, measured at market value.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Stocks may be purchased and/or held as long as they continue to reside in the Russell 2500 or Russell 2500 Value Index. Stocks outside of the Index may be held, but should not have a market capitalization greater than \$10 billion at initial purchase.
- Holdings may include up to 5% American Depository Receipts (ADRs).

<sup>1</sup> As measured by the Mercer SMID Capitalization Value Equity Peer Group.

**Manager:** Brandes Investment Partners

**Role:** Active International Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in the upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed, on an after fee basis, the EAFE Index by 1%.

#### Investment Guidelines

- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- The manager must be invested across at least ten (10) developed countries. Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 200% of the Index weighting, measured at market value.
- Appropriate investments consist primarily of common stocks; however, cash equivalents may be used at the manager's discretion subject to the guideline noted below.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Investments in emerging markets are to be limited to 20% of the portfolio.
- Forward contracts may be used at the manager's discretion to hedge currency exposure.

<sup>1</sup> As measured by the Mercer International Equity Peer Group.

**Manager:** William Blair & Company  
**Role:** Active International Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in the upper 50% of a Peer Group. <sup>1</sup>	Exceed, on an after fee basis, the EAFE Growth Index.
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed, on an after fee basis, the EAFE Index by 1%.

#### Investment Guidelines

- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- The manager must be invested across at least ten (10) developed countries. Holdings in one economic sector, as defined by GICS, should not exceed the greater of 35% of the portfolio or 200% of the Index weighting, measured at market value.
- Appropriate investments consist primarily of common stocks; however, cash equivalents may be used at the manager's discretion subject to the guideline noted below.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Investments in emerging markets are to be limited to 35% of the portfolio.
- Forward contracts may be used at the manager's discretion to hedge currency exposure.

<sup>1</sup> As measured by the Mercer International Equity Peer Group.

**Manager:** GlobeFlex  
**Role:** International Small Cap Equity

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in the upper 50% of a Peer Group. <sup>1</sup>	Exceed, on an after fee basis, the S&P Developed Small Cap Index (EMI) ex. US.
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed, on an after fee basis, the S&P Developed Small Cap Index ex US by 2%.

#### Investment Guidelines

- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- The manager must be invested across at least ten (10) developed countries. Holdings in one economic sector, as defined by GICS, should not exceed the greater of 35% of the portfolio or 200% of the Index weighting, measured at market value.
- Appropriate investments consist primarily of common stocks; however, cash equivalents may be used at the manager's discretion subject to the guideline noted below.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Investments in emerging markets are limited to the aggregate index weight in emerging markets.
- Forward contracts may be used at the manager’s discretion to hedge currency exposure.

<sup>1</sup> As measured by the Mercer International Small Cap Equity Peer Group.

**Manager:** LSV Asset Management  
**Role:** Emerging Markets Equities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in the upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed, on an after fee basis, the MSCI Emerging Markets Index by 1%.

#### Investment Guidelines

- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Holdings in any one company should not exceed the greater of 5% of the portfolio or 3% over the Index weighting, measured at market value.
- The manager must be invested across at least ten (10) developing countries.
- Holdings in one economic sector, as defined by GICS, should not exceed the greater of 30% of the portfolio or 200% of the Index weighting, measured at market value.
- Appropriate investments consist primarily of non-US common stocks; however, cash equivalents may be used at the manager’s discretion subject to the guideline noted below.
- The manager is expected to maintain a fully invested position with no more than 10% of the portfolio in cash equivalents. If a manager believes that a change in this guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board.
- Forward contracts may be used at the manager’s discretion to hedge currency exposure.

<sup>1</sup> As measured by the Mercer Emerging Markets Equity Peer Group.

**Manager:** Western Asset Management Company (WAMCO)  
**Role:** US Core Full

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in the upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a broad fixed income Universe. <sup>1</sup>	Exceed (after fees) the Barclays Capital Aggregate Index +0.5%.

<sup>1</sup> As measured by the Mercer Core Opportunistic Fixed Income Peer Group.

#### Investment Guidelines

- The following securities are eligible for inclusion in the portfolio: US Government and Agency issues, US and Non-US Corporates, Mortgage-Backed, Municipals, Asset-Backed, Convertibles, Preferreds, International Agencies, Emerging Markets Debt, Sovereign Debt, Supranational, Rule 144A, Bank Loans, Banker's Acceptance, CLO's, CBO's, CDO's, Swaps, Futures, Options, Certificates of Deposits, Commercial Paper and 4/2 Commercial Paper.
- No holdings in "persons" (as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- The average credit quality of the portfolio shall be "A-/A3" or better.
- Non-investment grade issues in the US ("BBB-/Baa3 or below") shall be limited to 20% of the total portfolio.
- Duration of the portfolio should remain within  $\pm 20\%$  of the Lehman Brothers Aggregate Index.
- No single issuer's securities shall represent more than 5% of the portfolio, excluding investments in commingled vehicles, U.S. Government and Agency securities.
- Obligations of other national governments are limited to 10% per issuer.
- Private mortgage-backed and asset-backed securities are limited to 10% per issuer, unless the collateral is credit independent of the issuer and the security's credit enhancement is generally generated internally, in which case, the limit is 25% per issuer.
- A maximum of 20% of the portfolio may be invested in non-dollar denominated sovereign and supranational fixed income securities of which 10% may be unhedged.
- A maximum of 10% of the portfolio may be invested in non-dollar denominated sovereign and supra-national fixed income securities below investment grade.
- Pooled vehicles (commingled and mutual fund products) may be used to implement a portion of the non-investment grade or non-dollar fixed income allocations.
- The use of derivative instruments that would cause the portfolio to be leveraged in any way is prohibited.
- Investments in currency options, swaps and futures are allowed for the purpose of hedging international security exposure.

**Manager:** EARNEST Partners  
**Role:** Domestic Core Fixed Income

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Barclays Capital Aggregate Index + 0.3%.

#### Investment Guidelines

- Appropriate investments consist of marketable debt securities including U.S. Treasuries and U.S. Federal Government Agencies, mortgages, corporates, money market instruments and other fixed income securities as deemed appropriate by the manager.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.
- Bonds purchased or owned must have a minimum quality rating of Baa3 (Moody's) or BBB- (Standard & Poor's). The average quality of the portfolio must be A or better. Unrated U.S. Treasury and U.S. Federal Government Agency securities are permissible and will be treated as AAA rated for purposes of average quality calculations.
- Individual security holdings (excluding cash equivalents and fixed income issues either issued or guaranteed by the U.S. Federal Government or one of its agencies) should not exceed 5% of the portfolio, measured at market value at the time of purchase into a specific portfolio.
- The following sector limitations will be placed on the portfolio: Small Business Administration loan pools shall be limited to 35% of the total portfolio, Title XI Shipping Bonds shall be limited to 20% of the total portfolio and the combination of the two sectors shall not exceed 50% of the portfolio.
- On a quarterly basis, EARNEST Partners shall provide in writing in a memo directed to the Board of Trustees the following information:
  - the amount of the portfolio that is invested in SBA and Title XI bonds (market value and percent of the portfolio)
  - the amount of the SBA and Title XI bonds that EARNEST Partners owns on behalf of other clients and in total at the firm.
  - the current market size for each of these two types of securities (market value) and the percentage of the outstanding market share that EARNEST Partners owns

<sup>1</sup> As measured by Mercer Core Investment Grade Fixed Income Peer Group.

**Manager:** Loomis, Sayles & Company  
**Role:** Opportunistic Fixed Income

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1 and 3 years).	Rank in upper 50% of a Peer Group. <sup>1</sup>	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. <sup>1</sup>	Exceed (after fees) the Barclays Capital + 1.0%. <sup>2</sup>

#### Investment Guidelines

- The portfolio may be invested in any of the following, subject to any restrictions set forth below: fixed income securities (including, but not limited to, corporate bonds and securities issued or guaranteed by the U.S. government or its agencies or instrumentalities such as Federal National Mortgage Association and Federal Home Loan Mortgage Corporation), as well as securities issued or guaranteed by state, local and foreign governments or related agencies or instrumentalities, mortgage-backed and asset-backed securities, collateralized mortgage obligations, REIT debt, zero coupon securities, trust preferred securities, Rule 144A private placement securities, foreign securities (including but not limited to, U.S. dollar denominated securities, eurobonds and Yankee bonds), emerging market debt securities, Supranational debt, convertible securities (including “busted” convertibles and equity securities into which or for which such convertible securities are converted or exchanged), preferred stock, foreign currency exchange transactions and commercial paper and other cash equivalents.
- In addition to the allowable securities as noted above, common stock is permitted up to a maximum of 10%. Common stock may be held as a result of financial restructuring or bankruptcy, or upon exchange of a debt security held in the portfolio, or when purchased outright in conjunction with the purchase of a debt security of the same company for the purpose of creating a synthetic convertible.
- At least 50% of the market value of the portfolio should be rated BBB- or higher by Standard and Poor’s or Baa3 or higher by Moody’s, as determined at the time of purchase. If a security is assigned different ratings by Standard and Poor’s and Moody’s, the higher rating will be used. Loomis Sayles may continue to hold securities that are downgraded in quality subsequent to their purchase if, in the opinion of Loomis Sayles, it would be advantageous to do so and if the Board is informed, in writing.
- No holdings in “persons”(as defined in the Sudan Accountability and Divestiture Act of 2007) determined by the State of Illinois or City of Chicago to be conducting or have direct investment in business operations in Sudan.

- The average quality of the portfolio must be BBB- or better. Unrated U.S. Treasury and U.S. Federal Government Agency securities are permissible and will be treated as AAA rated for purposes of average quality calculations.
- Up to 20% of the market value of the portfolio may be invested in preferred stocks, as determined at market value.
- 65% or more of the market value of the portfolio must be invested in U.S. or Canadian issuers, as determined at market value.
- 65% or more of the market value of the portfolio must be invested in U.S. or Canadian pay securities, as determined at market value.
- No security, except securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, will comprise more than 5% of the portfolio, as determined at market value
- No industry, except securities issued or guaranteed by the U.S. Government or its agencies or instrumentalities, will comprise more than 25% of the portfolio as determined at market value.
- If any parameters described above are violated as a result of market movements, credit downgrades (if paragraph 2 does not apply) or other events not within the control of Loomis Sayles, Loomis Sayles shall have a reasonable period of time, not to exceed six months, to bring the portfolio into compliance with the foregoing investment guidelines.

<sup>1</sup> As measured by the Mercer Core Opportunistic Fixed Income Peer Group.

**Manager:** Pacific Investment Management Company (PIMCO)  
**Role:** Commodities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
Less than one market cycle (approx. 1-3 years).	N/A	Exceed (after fees) the Benchmark Index <sup>1</sup> by the risk-free rate.
One market cycle (approx. 4-6 years).	N/A	Exceed (after fees) the Benchmark Index <sup>1</sup> by the risk-free rate.

#### Investment Guidelines

- The manager must invest in long-only positions.
- No leverage allowed at any time.
- Fully collateralize each position.
- The collateral must be invested in investment grade, short duration fixed income securities.
- Holdings in one commodity sector should not exceed 150% of the Index weighting, measured at market value
- Assets are to be invested in the PIMCO Commodities Real Return Fund – Institutional Class. As such, they are subject to the guidelines set forth in the Fund Prospectus.

<sup>1</sup> As measured by the Dow Jones UBS Commodity Index.

**Manager:** Credit Suisse Asset Management (CSAM)  
**Role:** Commodities

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	Universe	Index
Less than one market cycle (approx. 1-3 years).	N/A	Exceed (after fees) the Benchmark Index <sup>1</sup> by the risk-free rate.
One market cycle (approx. 4-6 years).	N/A	Exceed (after fees) the Benchmark Index <sup>1</sup> by the risk-free rate.

<sup>1</sup> As measured by the Goldman Sachs Commodity Index.

#### Investment Guidelines

- The manager must invest in long-only positions.
- The manager may buy or sell futures, forwards, swaps, options and/or warrants on both individual commodities (including but not limited to precious metals, base metals, energies, agricultural, and livestock) as well as the same derivatives on commodity indices such as the GSCI Index and/or its sub-indices.
- Commodity futures and/or options positions may be traded on either domestic or foreign exchanges. Initial or variation margin will be posted against such positions at domestic or foreign exchanges.
- Over the counter commodity forwards, swaps and options may be traded with domestic or foreign counterparties provided they are rated A or better. Assets may be pledged against such positions as required.
- To add value to the account, the core long position in commodity exposure may be supplemented with additional overlay positions, including, but not limited to, calendar spreads, inter-market spreads, and intra-market spreads.
- The account will be managed so that the net total commodity exposure is equal to 100% of the underlying assets of the total account.
- The cash collateral underlying the futures contracts can be invested in the following: U.S. treasury and agency obligations, money market instruments of domestic and foreign issuers denominated in U.S. dollars, including commercial paper, bankers' acceptances, certificates of deposit, euro-dollar time deposits and variable rate issues, Corporate notes and bonds, asset-backed securities, repurchase agreements, municipal money market securities, municipal notes and bonds, auction rate preferred securities, mortgage-backed securities and money market mutual funds which limit their investments to the above mentioned instruments.
- The duration of the underlying collateral must be less than one year.
- No leverage allowed at any time.
- Fully collateralize each position.
- Holdings in one commodity sector should not exceed 150% of the Index weighting, measured at market value.

**Manager:** Bank of America  
**Role:** Private Equity Fund of Funds

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 12-15 years).	N/A	Stated IRR of 15% and Russell 3000 Index + 5.0%.

#### Investment Guidelines

- Private equity investments should be made primarily through closed-end private equity funds.
- Adequate diversification by private equity subclass (venture capital, buyout, mezzanine, distressed debt, special situation, and non-U.S.) should be maintained.
- New investments in underlying private equity funds should not exceed 15% of the normal policy allocation to private equity. The policy weight for Private Equity for the total Fund currently stands at 4%. Therefore, new investments in private equity should not exceed 0.60% (15% X 4%) of the total Fund value.
- Bank of America will execute for the Fund any and all documents pertaining to private equity limited partnership investments, including, but not limited to, private equity limited partnership agreements, private equity limited partnership subscriptions agreements and amendments to said agreements.

**Manager:** Mesirow Financial

**Role:** Private Equity – Limited Partnership (Direct Investment)

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 12-15 years).	N/A	Stated IRR of 15% and Russell 3000 Index + 5.0%.

#### Investment Guidelines

- Adequate diversification by private equity subclass (venture capital, buyout, mezzanine, distressed debt, special situation, and non-U.S.) should be maintained.
- New investments in private equity deals should not exceed 15% of the normal policy allocation to private equity. The policy weight for Private Equity for the total Fund currently stands at 4%. Therefore, new investments in private equity deals should not exceed 0.60% (15% X 4%) of the total Fund value.
- Mesirow Financial will execute for the Fund any and all documents pertaining to private equity limited partnership investments, including, but not limited to, private equity limited partnership agreements, private equity limited partnership subscriptions agreements and amendments to said agreements.

**Manager:** Muller and Monroe  
**Role:** Private Equity Fund of Funds

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 12-15 years).	N/A	Stated IRR of 15% and Russell 3000 Index + 5.0%.

#### Investment Guidelines

- Private equity investments should be made primarily through closed-end private equity funds.
- Adequate diversification by private equity subclass (venture capital, buyout, mezzanine, distressed debt, special situation, and non-U.S.) should be maintained.
- New investments in underlying private equity funds should not exceed 15% of the normal policy allocation to private equity. The policy weight for Private Equity for the total Fund currently stands at 4%. Therefore, new investments in private equity should not exceed 0.60% (15% X 4%) of the total Fund value.
- Muller and Monroe will execute for the Fund any and all documents pertaining to private equity limited partnership investments, including, but not limited to, private equity limited partnership agreements, private equity limited partnership subscriptions agreements and amendments to said agreements.

**Manager:** Adams Street Partners  
**Role:** Secondary Private Equity Fund of Funds

**Objectives and Guidelines**

**Investment Objectives**

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 8-10 years).	N/A	Stated IRR of 15% and Russell 3000 Index + 5.0%.

**Investment Guidelines**

- Private equity investments should be made primarily through closed-end private equity funds.
- Adequate diversification by secondary private equity subclass (venture capital, buyout, mezzanine, distressed debt, special situation, and non-U.S.) should be maintained.
- New investments in underlying private equity funds should not exceed 15% of the normal policy allocation to private equity. The policy weight for Private Equity for the total Fund currently stands at 4%. Therefore, new investments in private equity should not exceed 0.60% (15% X 4%) of the total Fund value.
- Adams Street Partners will execute for the Fund any and all documents pertaining to private equity limited partnership investments, including, but not limited to, private equity limited partnership agreements, private equity limited partnership subscriptions agreements and amendments to said agreements.

**Manager:** Pomona Capital  
**Role:** Secondary Private Equity Fund of Funds

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 8-10 years).	N/A	Stated IRR of 15% and Russell 3000 Index + 5.0%.

#### Investment Guidelines

- Private equity investments should be made primarily through closed-end private equity funds.
- Adequate diversification by private equity subclass (venture capital, buyout, mezzanine, distressed debt, special situation, and non-U.S.) should be maintained.
- New investments in underlying private equity funds should not exceed 15% of the normal policy allocation to private equity. The policy weight for Private Equity for the total Fund currently stands at 4%. Therefore, new investments in private equity should not exceed 0.60% (15% X 4%) of the total Fund value.
- Pomona Capital will execute for the Fund any and all documents pertaining to private equity limited partnership investments, including, but not limited to, private equity limited partnership agreements, private equity limited partnership subscriptions agreements and amendments to said agreements.

**Manager:** Citigroup Property Investors  
**Role:** Global Real Estate Fund of Funds

### Objectives and Guidelines

#### Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 12-15 years).	N/A	Exceed (after fees) the National Council of Real Estate Investment Fiduciaries (NCREIF) Property Index

#### Investment Guidelines

- Assets are to be invested in the Citigroup Real Estate Partners II (Institutional), L.P. As such, they are subject to the guidelines set forth in the partnership agreement.

**Manager:** Alliance Bernstein  
**Role:** Public-Private Investment Fund

**Objectives and Guidelines**

**Investment Objectives**

Time Horizon	Performance Standard	
	Universe	Index
One market cycle (approx. 8-10 years).	N/A	

**Investment Guidelines**

- Assets are to be invested in the Alliance Bernstein Public-Private Investment Fund. As such, they are subject to the guidelines set forth in the partnership agreement.

**Manager:** Wellington Management  
**Role:** Public-Private Investment Fund

**Objectives and Guidelines**

**Investment Objectives**

Time Horizon	Performance Standard	
	Universe	Index
One market cycle (approx. 8-10 years).	N/A	

**Investment Guidelines**

- Assets are to be invested in the Wellington Management Public-Private Investment Program. As such, they are subject to the guidelines set forth in the partnership agreement.

**- 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 (3) copies of these reports shall be compiled and distributed as follows:

1. Chief Investment Officer
2. Executive Director
3. Mercer Investment Consulting

**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.

**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 with copies to trustees and directors which includes a narrative about the account performance and all related factors for the quarter.
2. **A STATEMENT OF EXPECTATIONS:** Regarding both Near and Long Term expectations for the account.
3. **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.
4. **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 principle 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, female and disabled 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 commissions require disclosure of purpose paid.

5. HIGHLIGHTS of individual securities within the portfolio currently at or below 15% of original cost.
6. A RECORD OF PROXY VOTING: A statement of all proxies voted shall be prepared each quarter.
7. FINANCIAL CHARACTERISTICS of portfolio vs. specific benchmark.
8. 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 the Fund's best execution and minority brokerage goals.

