

Firemen's Annuity & Benefit Fund of Chicago
Search for Investment Adviser ("SIA")



SECTION 1 – OVERVIEW

1.1 INTRODUCTION

The Firemen's Annuity & Benefit Fund of Chicago ("the Fund") is searching for investment advisers to manage the following investment mandates:

- 1. US Small/Mid ("SMID") Cap Growth Equity mandate. The approximate mandate will be \$30 million, representing approximately 3.0% of the overall Fund.**
- 2. US Micro Cap Equity mandate. The approximate mandate will be \$15 million, representing approximately 1.5% of the overall Fund.**
- 3. International Small/Mid ("SMID") Cap Value Equity mandate. The approximate mandate will be \$30 million, representing approximately 3.0% of the overall Fund.**

A qualifying investment adviser must be a registered investment adviser under the Investment Advisers 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. Once selected, the Board requires that each investment adviser provide, in writing within the Investment Management Agreement, acknowledgment of fiduciary responsibility to the Fund as specified in the Illinois State Statutes. 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.

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 and its consultant. Firms may be asked to make formal presentations of their proposals to the investment staff, Investment Committee and/or the Board of Trustees. Selection of the investment adviser is subject to final approval by the Fund's Board of Trustees.

1.2 SUBMISSION OF PROPOSAL

All proposals must be complete in every respect and must answer clearly and concisely all questions presented in this Search for Investment Adviser. Respondents are required to respond to this SIA in the form of a presentation booklet. This booklet must address the questions and requests for information in this SIA and SIA 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 no later than 5:00pm CDT on June 30, 2010. Receipts beyond that time will not be accepted. Both hard copy presentations and email versions must be received by the deadline.

**Hard copy submissions must be addressed and delivered to:
Mercer Investment Consulting
Attn: Jason C. Palmer – Fire SIA - (please list specific mandate)
155 North Wacker Drive, Suite 1500, Chicago, IL 60606

Email versions should be sent to jason.c.palmer@mercerc.com**

If your firm is submitting proposals for more than one mandate, please submit distinct proposals for each mandate in accordance with the terms outlined in this SIA.

1.3 INQUIRIES

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

Verbal inquiries from respondents will not be accepted. All questions pertaining to this SIA should only be submitted via email to: jason.c.palmer@mercerc.com

All inquiries must be received no later than June 11, 2010. Generalized responses to inquiries will be posted to the Fund's website no later than June 18, 2010.

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. Trade secrets or proprietary information must be clearly identified as such in the proposal and will not be released to the extent permitted by law.

All proposals become the property of the Fund and will not be returned to the respondent. The Fund reserves the right to retain all documents submitted, regardless of whether the submitting firm is ultimately awarded the mandate.

Submission of documents indicates acceptance of the conditions contained in this SIA, unless clearly and specifically noted in the materials submitted.

There is no expressed or implied obligation for the Fund to reimburse responding firms for any expenses incurred in preparing a response to these searches.

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 SIA Questions	June 11, 2010
SIA Submission Due Date	June 30, 2010
Finalist Presentation	TBD
Selection of Manager	TBD
Tentative Funding Date	TBD

While there is no fixed date for the award of a contract, it is anticipated that the selection of an investment adviser will be completed not later than December 2010. Following notification of the selected firm, it is expected that a contract will be awarded not later than February 2011, subject to actions by the Fund and its Board of Trustees.

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 Advisers Act of 1940.
2. The company must have a documented and verifiable three-year track record for the strategy proposed in response to this SIA.
3. The Firemen's Annuity & Benefit Fund of Chicago's investment mandate must not represent more than 10% of the company's total firm assets or 10% 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 two copies of their ADV's. The company may be asked to provide audited financial statements.
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, Female, and Disabled Business Enterprises ("MFDDBE") brokerage policy.
10. The company must comply with the Fund's Ethics Policy.
11. All candidate firms must also have their information in the Mercer database (www.mercergimd.com), in addition to submitting this SIA---this must be done prior to submitting the SIA. 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 Mercer.
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 as maintained by the Fund's custodian, The Northern Trust Company.
14. All minimum requirements must be met by June 30, 2010.

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 SIA and information obtained from Mercer's Global Investment Manager Database (GIMD). The investment consultant will identify all SIA's received from minority, female and disabled person's business enterprises ("MFDDBE").

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

Fund investment staff and consultant will recommend finalists to the Investment Committee during a public meeting of the Investment Committee, including at least one qualified MFDDBE 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 Trustees shall then act on the recommendation of the Investment Committee.

The Fund reserves the right to award this mandate to the investment adviser which, in its sole opinion, will provide the best match to the requirements of the Search for Investment Adviser to reject any respondents due to noncompliance with the requirements and instructions in the SIA and not to hire or defer the hiring of a firm for investment management services.

3.2 – MERCER GLOBAL INVESTMENT MANAGER DATABASE

All respondents must accurately submit their information into the Mercer 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 April 30, 2010.

**To gain access to Mercer's Global Investment Manager Database (GIMD)
please visit
www.mercergimd.com**

AND

**Send an email directly to gimadmin@mercerc.com
for access details and further instructions**

Neither the Fund nor Mercer 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 Search for Investment Adviser process. The Quiet Period is the period of time beginning when the SIA 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 staff during the Quiet Period and should direct all questions and communications as directed in Section 1.3 of this SIA. If any board member is contacted by a candidate, the Board member shall refer the candidate to Mercer.

All Fund Trustees and staff shall refrain from directly or indirectly communicating with any respondent regarding any product or service related to the search during the Quiet Period. Communication which takes place during a formal site visit or interview conducted as part of the investment adviser search, as directed by the Fund's Investment Committee, is permitted. The quiet period does not prevent Board 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.

Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.

SECTION 4 – FUND INFORMATION

4.1 PLAN DESCRIPTION

The Firemen's Annuity & Benefit Fund of Chicago is a public employee retirement system established and governed by the Illinois Pension Code (40 ILCS 5/1-101 et seq). The Fund is established to provide for the present and future benefit payments for all active and retired Chicago firefighter participants and their beneficiaries. The Fund currently has over 9,400 participants.

4.2 SUMMARY OF INVESTMENT OBJECTIVES

The primary investment objective of the Fund 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 compliance with the Illinois Statutes governing the operation and activities of the Fund.

Due to the underfunding of the Fund's actuarial 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.

4.3 PORTFOLIO DESCRIPTION

The Fund's portfolio is a fully invested, diversified, global portfolio managed entirely by external investment advisers. The Fund's portfolio allocation, as of March 31, 2010, is as follows:

	<u>Target</u>	<u>Actual</u>	<u>Market Value</u>
Equities	65%	72%	\$732 million
Fixed Income	18%	21%	\$210 million
Alternatives	17%	6%	\$56 million

SECTION 5 –SEARCH for INVESTMENT ADVISER QUESTIONNAIRE

5.1 PRESENTATION REQUIREMENTS

Respondents are required to provide a presentation booklet that includes answers to the SIA 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. Submission of such material may disqualify the firm from further consideration.

5.2 PRESENTATION FORMAT

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

Sample Presentation Format Only:

Section 1: Statement of Certification

Section 2: Responses to Search for Investment Adviser Questionnaire

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

SECTION 6 – CLOSING

On behalf of the Fund participants, Trustees, investment staff and Consultant the Firemen's Annuity & Benefit Fund of Chicago thanks you for your interest, time and effort in responding to this Search for Investment Adviser.

SEARCH for INVESTMENT ADVISER QUESTIONNAIRE
US Small/Mid Cap (“SMID”) Growth Equity
US Micro Cap Equity
International Small/Mid Cap (“SMID”) Value Equity

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

1. Organizational Information (as of March 31, 2010)

- 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 Stock-Vetting Process
- Historical Risk/Return Characteristics
- Historical and Projected Tracking Error of Strategy and Portfolio Turnover
- Portfolio Construction Methodology
- Number of Stocks Typically Held
- Average Market Cap – Historical, Current, and Expected
- Global Resources for Strategy (if applicable)
- Currency Hedging for Portfolio (if applicable)

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.

STATEMENT OF CERTIFICATION

By submitting this Search for Investment Adviser 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 Advisers Act of 1940.
- ☐ The firm agrees to act as a fiduciary to the Fund in accordance with Illinois state statutes.
- ☐ The product submitted for review has a documented and verifiable three-year track record.
- ☐ The Firemen's Annuity & Benefit Fund of Chicago's approximate investment mandate does not represent more than 10% of the firm's total assets or 10% 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 SIA.
- ☐ No fees, direct or indirect, commissions, penalties and other compensation including reimbursement for expenses for expenses paid by or on behalf of the Investment Adviser in connection with the provision of services to the Fund have been paid.
- ☐ All requested firm information has been submitted to Mercer's database (www.mercergimd.com).
- ☐ 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.
- ☐ The firm understands and will comply with the Fund's MFD BE 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 to 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 SIA.

Signature

Name

Date

Title

Attachments to this Search for Investment Adviser:

1. FABF Brokerage Policy
2. FABF Ethics Policy
3. Sample Investment Manager Agreement
4. 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.

ETHICS POLICY

The Trustees elected or appointed to serve as governing members of the Retirement Board (the "Board") of the Firemen's Annuity & Benefit Fund of Chicago (the "Fund") desire to enhance and promote the professional management of the Fund in order to provide retirement and other benefits to participants and beneficiaries who have served the City of Chicago and its citizens.

Effective April 3, 2009 the General Assembly of Illinois amended the Illinois Pension Code to make certain provisions within the State Officials and Employees Ethics Act, 5 ILCS 430 et seq. ("State Ethics Act"), which established a code of ethical conduct for all state officers, members of the Illinois General Assembly, and state employees, applicable to pension fund and retirement system board members and employees of public pension funds.

The Board recognizes that it is essential to the proper operation of a public pension fund that pension fund board members and employees be independent and impartial, that public office and employment not be used for personal gain, and that the participants and beneficiaries of a public pension fund have full confidence in the integrity and fair and honest administration of such pension fund.

The Board also recognizes that Board Members and certain Employees of the Fund serve the Fund in a fiduciary capacity, and must act at all times to avoid conflicts of interest, impropriety, or even the appearance of impropriety.

In recognition of these principles and to further these objectives and the provisions of the Illinois Pension Code governing the Fund and the Board, all Board Members and Employees of the Fund shall adhere to legal and ethical standards in the fulfillment of their fiduciary and other responsibilities owed to the Fund and its participants and beneficiaries, and to the following statements of policy:

Definitions.

The definitions used in this Ethics Policy are limited to the Policy and shall not be binding on the Fund for any other purpose. Whenever used in this Policy, the following terms shall have the following meanings:

- (a) "**Administrative action**" means any decision on, or any proposal, consideration, enactment or making of any rule or any other official action or non-action involving the expenditure of Fund assets by the Board, the executive director, or by any Employee of the Fund, or any matter which is within the jurisdiction of the Board.
- (b) "**Board**" means the Board of Trustees of the Retirement Board of the Firemen's Annuity and Benefit Fund of Chicago.
- (c) "**Board Member**" means each of the elected and the appointed ex officio members of the Board.
- (d) "**Candidate**" means any person who has filed nominating papers or petitions for nomination or election to an elected office, or who has been appointed to fill a vacancy in nomination, and who remains eligible for placement on the ballot at either a general primary election or general election or who has raised or expended money in pursuit of elected office.
- (e) "**Compensation**" means money, thing of value or other pecuniary benefit received or to be received in return for, or as reimbursement for, services rendered or to be rendered.
- (f) "**Domestic partner**" means a "qualified domestic partner" as defined in Section 2-152-072 of the Municipal Code of Chicago, as amended.
- (g) "**Economic interest**" means any interest valued or capable of valuation in monetary terms; provided, that "economic interest" is subject to the same exclusions as "Financial Interest."

- (h) **"Employee"** means an individual employed by the Fund, whether part-time or full-time, or by a contract of employment, but excludes Board Members and any third party vendor of the Fund.
- (i) **"Ethics Officer"** means the Executive Director of the Fund.
- (j) **"Financial Interest"** means (i) any interest as a result of which the owner currently receives or is entitled to receive in the future more than \$2,500 per year; (ii) any interest with a cost or present value of \$5,000 or more; or (iii) any interest representing more than ten percent (10%) of a corporation, partnership, sole proprietorship, firm, enterprise, franchise, organization, holding company, joint stock company, receivership, trust, or any legal entity organized for profit; provided, however, financial interest shall not include (a) any interest of the spouse or domestic partner of a Board Member or Employee which interest is related to the spouse's or domestic partner's independent occupation, profession or employment; (b) any ownership through purchase at fair market value or inheritance of less than one percent (1%) of the shares of a corporation, or any corporate subsidiary, parent or affiliate thereof, regardless of the value of or dividends on such shares, if such shares are registered on a securities exchange pursuant to the Securities Exchange Act of 1934, as amended; (c) the authorized Compensation paid to a Board Member or Employee for his office or employment; (d) any economic benefit provided to participants by virtue of their participation in the Fund in accordance with Article V of the Illinois Pension Code; (e) a time or demand deposit in a financial institution; (f) an endowment or insurance policy or annuity contract purchased from an insurance company.
- (k) **"Fund"** means the Firemen's Annuity and Benefit Fund of Chicago.
- (l) **"Gift"** means any thing of value given without consideration or expectation of return; provided, however, Gift shall not to be deemed to include reimbursement of travel expenses relating to Fund business.
- (m) **"Person"** means any individual, entity, corporation, partnership, firm, association, union, trust, estate, as well as any parent or subsidiary of any of the foregoing, whether or not operated for profit.
- (n) **"Political organization"** means a party, committee, association, fund, or other organization (whether or not incorporated) that is required to file a statement of organization with the State Board of Elections or a county clerk under Section 9.3 of the Election Code (10 ILCS 5/9-3), but only with regard to those activities that require filing with the State Board of Elections or a County clerk.
- (o) **"Prohibited source"** means any person or entity who:
 - (1) is seeking official action (A) by the Board or (B) by the Board Member;
 - (2) does business or seeks to do business (A) with the Board or (ii) with a Board Member;
 - (3) has interests that may be substantially affected by the performance or non performance of the Board Member duties of the Board Member; or
 - (4) is registered or required to be registered with the Secretary of State under the Lobbyist Registration Act, except that an entity not otherwise a prohibited source does not become a prohibited source merely because a registered lobbyist is one of its members or serves on its board of directors.
- (p) **"Relative"** means a person who is related to a Board Member or Employee as spouse or as any of the following, whether by blood or by adoption: parent, child, brother or sister, aunt or uncle, niece or nephew, grandparent, grandchild, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepfather or stepmother, stepson or stepdaughter, stepbrother or stepsister, half-brother or half-sister.

- (q) "**Seeking to do business**" means (1) taking any action to obtain business from the Fund when, if such action were successful, it would result in the Person's doing business with the Fund; and (2) the business sought has not been awarded to any Person.
- (r) "**State**" means the State of Illinois.
- (s) "**Statement**" means the statement of economic interest form required to be filed by the Illinois Governmental Ethics Act, 5 ILCS 420/4A-101 et seq., as amended from time to time.

ARTICLE I
CODE OF CONDUCT

Fiduciary duty.

Board Members and Employees, who exercise discretionary authority or responsibility with respect to the management of the Fund or the management or operation of its assets, shall at all times in the performance of their Fund duties owe a fiduciary duty to the Fund and its participants and beneficiaries.

Offering, receiving and soliciting Gifts and favors.

- (a) No Prohibited Source shall give to any Board Member or Employee, or to the spouse, domestic partner or immediate family member living with them, and none of them shall solicit or accept, any Gift.
- (b) No Prohibited Source shall give or offer to give to any Board Member or Employee or to the spouse, domestic partner or immediate family member living with them, and none of them shall solicit or accept, anything of value, including, but not limited to, a Gift, favor or promise of future employment, based upon any mutual understanding, either explicit or implicit, that the votes, official actions, decisions or judgments of any Board Member or Employee, concerning the business of the Fund would be influenced thereby.
- (c) The restrictions in Subsections (a) and (b) above do not apply to the following:
 - (i) Opportunities, benefits, and services that are available on the same conditions as for the general public.
 - (ii) Anything for which the Board Member or Employee or his or her spouse, domestic partner or immediate family member living with him or her pays the market value.
 - (iii) Any (i) contribution that is lawfully made under the Election Code or under the State Ethics Act or (ii) activities associated with a fundraising event in support of a political organization or candidate.
 - (iv) Educational materials.
 - (v) A Gift from a relative, meaning those people related to the individual as father, mother, son, daughter, brother, sister, uncle, aunt, great aunt, great uncle, cousin, nephew, niece, husband, wife, grandfather, grandmother, grandson, granddaughter, father-in-law, mother-in-law, son-in-law, daughter-in-law, brother-in-law, sister-in-law, stepfather, stepmother, stepson, stepdaughter, stepbrother, stepsister, half brother, half sister, and including the father, mother, grandfather, or grandmother of the individual's spouse and the individual's fiancé or fiancée.
 - (vi) Anything provided by an individual on the basis of a personal friendship unless the Board Member or Employee has reason to believe that, under the circumstances, the Gift was provided because of the official position or employment of the Board Member or Employee and not because of the personal friendship.

In determining whether a Gift is provided on the basis of personal friendship, the Board Member or Employee shall consider the circumstances under which the Gift was offered, such as:

 - (a) the history of the relationship between the individual giving the Gift and the recipient of the gift, including any previous exchange of Gifts between those individuals;

- (b) whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift personally paid for the Gift or sought a tax deduction or business reimbursement for the Gift; and
 - (c) whether to the actual knowledge of the Board Member or Employee the individual who gave the Gift also at the same time gave the same or similar Gifts to other Board Members of the Fund or employees or their spouses or immediate family members living with them.
- (vii) Food or refreshments not exceeding \$75 per person in value on a single calendar day; provided that the food or refreshments are (i) consumed on the premises from which they were purchased or prepared or (ii) catered. For purposes of this subsection, "catered" means food or refreshments that are purchased ready to eat and delivered by any means.
 - (viii) Food, refreshments, lodging, transportation, and other benefits resulting from the outside business or employment activities (or outside activities that are not connected to the duties of the Board Member or Employee as an office holder or employee) of the Board Member or Employee, or the spouse of the Board Member or Employee, if the benefits have not been offered or enhanced because of the position or employment of the Board Member or Employee, and are customarily provided to others in similar circumstances.
 - (ix) Intra-governmental and inter-governmental gifts. For the purpose of this Policy, "intra-governmental gift" means any gift given to a Board Member or Employee of the Fund from another Board Member or Employee of the Fund; and "inter-governmental gift" means any gift given to a Board Member or Employee of the Fund by a Board Member or employee of another City agency or department, of a State of Illinois agency, of a federal agency, or of any governmental entity.
 - (x) Bequests, inheritances, and other transfers at death.
 - (xi) Any item or items from any one Prohibited Source during any calendar year having a cumulative total value of no more than \$100.

Each of the exceptions listed in this subsection (c) is mutually exclusive and independent of one another.

- (d) A Board Member or Employee does not violate this Policy if the Board Member or Employee promptly takes reasonable action to return the prohibited Gift to its source or gives the Gift or an amount equal to its value to an appropriate charity that is exempt from income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986, as now or hereafter amended, renumbered, or succeeded.
- (e) Gifts which have a value of greater than \$100 (or a series of gifts with an aggregate value of greater than \$100 from one Prohibited Source during any twelve month period) received by any Board Member or Employee from a Prohibited Source shall be disclosed to the Fund's Ethics Officer by the recipient within ten (10) business days of receipt. The disclosure shall include the name and government title of the recipient; the name, address, occupation and employer of the donor; a description of the Gift and its value; and the intended use or disposition of the Gift.
- (f) Any and all Gifts having a value greater than \$100 and received by a Board Member or Employee for participating in speaking engagements, lectures, debates or organized discussion forums arising out of his or her involvement with, or employment by, the Fund shall be disclosed to the Fund's Ethics Officer within ten (10) business days of receipt.

Use or disclosure of confidential information.

No current or former Board Member or Employee shall use or disclose, other than in the performance of his or her Fund related duties and responsibilities, or as may be required by law, confidential information gained in the course of or by reason of his or her position or employment. For purposes of this section, "confidential information" means any information that may not be obtained pursuant to the Illinois Freedom of Information Act, as amended from time to time.

Conflicts of interest; appearance of impropriety.

- (a) No Board Member or Employee shall make or participate in the making of any decision relating to the Fund or its assets with respect to any matter in which he or she has any Economic Interest distinguishable from that of the general public.
- (b) To avoid even an appearance of impropriety, any Board Member who has a business relationship with a person or entity with a matter pending before the Fund shall publicly disclose the nature of such business relationship on the record at a regularly scheduled meeting of the Board of Trustees and shall also notify the Fund's Ethic's Officer of such relationship in writing as soon as the business relationship arises. The Board of Trustees shall make such disclosures available for public inspection and copying. The Board Member shall abstain from voting on any matter in which he or she has a Financial or Economic Interest but shall be counted present for purposes of a quorum. The obligation to report a potential conflict or interest under this subsection arises as soon as the Board Member is or should be aware of such potential conflict. For purposes of this subsection only: (i) "matter pending before the Fund" shall refer to Fund action involving the grant of disability benefits, award of investment management business, any contractual matters involving expenditure of Fund assets; and (ii) "business relationship" shall refer to any contractual or other private business dealing of a Board Member, or his or her spouse or domestic partner, or of any entity in which a Board Member or his or her spouse or domestic partner has a Financial or Economic Interest, with a person or entity which entitles a Board Member or his or her spouse or domestic partner to compensation or payment in the amount of \$2,500 or more in a calendar year; provided, however, that "contractual or other private business dealing" shall not include any employment relationship of a Board Member's spouse or domestic partner with an entity when such spouse or domestic partner has no discretion concerning or input relating to the relationship between that entity and the Fund.
- (c) Any Board Member or Employee who has a Financial or Economic Interest in any entity seeking to do business with the Fund or with respect to any matter pending before the Fund shall disclose the nature of such interest to the Board of Trustees. The obligation to disclose under this subsection arises as soon as the Board Member or Employee is or should be aware of the pendency of the matter.

Representation of other persons.

No Board Member or Employee may represent, or have an Economic Interest in the representation of, any person, in any formal or informal proceeding or transaction (i) before the Fund, any administrative agency or any court in which the Fund is a party and that person's interest is adverse to that of the Fund or (ii) in which the Board's or Fund staff's action or non-action is of a non-ministerial nature.

Prohibited conduct.

No Board Member or Employee or the spouse or domestic partner of such Board Member or Employee, or any entity in which such Board Member or Employee or his or her spouse or domestic partner has a Financial Interest, shall apply for, solicit, accept or receive a loan of any amount from any person who is either doing business or seeking to do business with the Fund; provided, however, that nothing

in this section prohibits application for, solicitation for, acceptance of or receipt of a loan from a financial lending institution, if the loan is negotiated at arm's length and is made at a market rate in the ordinary course of the lender's business.

Prohibitions pertaining to former Trustees, aides and staff.

It shall be the policy of the Fund, consistent with the ordinance of the City of Chicago, to prohibit any former Board Member, Board Member aide or Employee of the Fund from receiving a direct financial benefit from any transaction, contract or relationship pertaining to the matters involving the Fund and its vendors for a period of one year from the date of expiration or termination of the position of Board Member or Board Member aide or date of cessation of employment with the Fund (the "Year Block Out Period").

Nothing in this provision shall be construed as prohibiting the Fund from maintaining existing contractual relationships with vendors who may employ a former Board Member, Board Member's aide or employee of the Fund or from entering into new relationships with such vendors provided the former Board Member, Board Member's aide or employee employed by such vendor does not directly benefit financially from such relationship for the Year Block Out Period. This prohibition also shall not apply to any direct contract or employment authorized by the Board between the Fund and any such individual.

No Monetary Gain on Investments.

No Board Member or Employee of the Fund, or any spouse or domestic partner of such Board Member or Employee, shall knowingly have any direct interest in the income, gains, or profits of any investments made on behalf of the Fund, nor receive any pay or emolument for services in connection with any investment. No Board Member or Employee shall become an endorser or surety, or in any manner an obligor for money loaned or borrowed from any retirement system or pension fund or the Illinois State Board of Investment. For the purposes of this provision, an annuity otherwise provided in accordance with the Illinois Pension Code or any income, gains, or profits related to any non-controlling interest in any public securities, mutual fund, insurance contract, annuity, trust or other passive investment shall not be considered monetary gain on investments. Pursuant to the Illinois Pension Code, a violation of this provision is a Class 3 felony.

Prohibited Transactions.

- (a) No Board Member, Employee, or other fiduciary of the Fund shall not cause the Fund to engage in a transaction if he or she knows or should know that such transaction constitutes a direct or indirect:
 - (i) Sale or exchange, or leasing of any property from the Fund to a party in interest for less than adequate consideration, or from a party in interest to the Fund for more than adequate consideration.
 - (ii) Lending of money or other extension of credit from the Fund to a party in interest without the receipt of adequate security and a reasonable rate of interest, or from a party in interest to the Fund with the provision of excessive security or an unreasonably high rate of interest.
 - (iii) Furnishing of goods, services or facilities from the Fund to a party in interest for less than adequate consideration, or from a party in interest to the Fund for more than adequate consideration.
 - (iv) Transfer to, or use by or for the benefit of, a party in interest of any assets of the Fund for less than adequate consideration.

- (b) No Board Member, Employee or fiduciary of the Fund shall:
- (i) Deal with the assets of the Fund in his or her own interest or for his own account;
 - (ii) In his individual capacity or any other capacity act in any transaction involving the Fund on behalf of a party whose interests are adverse to the interests of the Fund or the interests of its participants or beneficiaries; or
 - (iii) Receive any consideration for his or her own personal account from any party dealing with the Fund in connection with a transaction involving the assets of the Fund.
- (c) Nothing in this provision shall be construed to prohibit any Board Member from:
- (i) Receiving any benefit to which he or she may be entitled as a participant or beneficiary in the Fund.
 - (ii) Receiving any reimbursement of expenses properly and actually incurred in the performance of his or her duties with the Fund.
 - (iii) Serving as a Board Member in addition to being an officer, employee, agent or other representative of a party in interest.
- (d) No Board Member, Employee or fiduciary of the Fund shall knowingly cause or advise the Fund to engage in an investment transaction when the Board Member, Employee or fiduciary (1) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (2) has a business relationship with the investment adviser that would result in a pecuniary benefit to the fiduciary as a result of the investment transaction. Pursuant to the Illinois Pension Code, a violation of this subsection (d) is a Class 4 felony.
- (e) A Board Member, Employee or consultant with respect to the Fund shall not knowingly cause or advise the Fund to engage in an investment transaction with an investment adviser when the Board Member, Employee or consultant, or their spouse or domestic partner (i) has any direct interest in the income, gains, or profits of the investment adviser through which the investment transaction is made or (ii) has a relationship with that investment advisor that would result in a pecuniary benefit to the Board Member, Employee or consultant or spouse or domestic partner of such Board Member, Employee or consultant as a result of the investment transaction. For purposes of this subsection (e), a consultant includes an employee or agent of a consulting firm who has greater than 7.5% ownership of that consulting firm. Pursuant to the Illinois Pension Code a violation of this subsection (e) is a Class 4 Felony.

Whistleblower Protection.

No complainant, or Employee acting on behalf of a complainant, shall be discharged, threatened or otherwise discriminated against regarding compensation, terms, conditions, location or privileges of employment because:

- (a) the complainant or Employee acting on behalf of the complainant reports or is about to report, verbally or in writing, a violation or suspected violation of this Policy; or
- (b) the complainant or Employee acting on behalf of the complainant is requested to participate in an investigation, hearing or inquiry held pursuant to this Policy, or in any related court action.

This Section shall not apply to a complainant, or Employee acting on behalf of a complainant, who knowingly makes a false report.

Contributions to Candidates and Elected Board Members.

Any political contributions made by a person who has done business with the Fund or is seeking to do business with the Fund shall be made in accordance with the provisions of the Election Code, 10 ILCS 5/1-1 et seq., as amended.

ARTICLE II
ETHICS TRAINING

Pursuant to the Illinois Pension Code, each Board Member must attend ethics training of at least eight (8) hours per year. The training required includes training on ethics, fiduciary duty, and investment issues and any other curriculum that the Board establishes as being important for the administration of the Fund. The Board must annually certify its Board Members' compliance with the Code's ethics training requirements.

ARTICLE III
FINANCIAL DISCLOSURE

On or before May 1 of each year, each Board Member shall file verified written statements of economic interests as required by the Illinois Governmental Ethics Act, 5 ILCS 420/4A-101 et seq., as amended. All statements shall be available in electronic form for examination and duplication by the Board upon request.

ARTICLE IV
ETHICS OFFICER

The Executive Director for the Fund shall be appointed as the Fund's Ethics Officer for the purposes of this Policy. The duties of the Ethics Officer include (i) reviewing statements of economic interest and disclosure forms of Board Members before they are filed and (ii) providing requested guidance to Board Members and Employees in the interpretation and implementation of this Policy; provided, however, that compliance with this Policy remains the individual responsibility of each Board Member and Employee. If uncertainty exists as to the proper procedure(s) to be followed in connection with this Policy, Board Members and Employees are encouraged to consult with the Fund's Ethics Officer before any action is taken.

ARTICLE V
PENALTIES FOR VIOLATION

Sanctions.

Any Employee found to have violated any of the provisions of this Policy, or to have furnished false or misleading information to the Board of Trustees, shall be subject to employment sanctions, including discharge, in accordance with procedures under which the employee may otherwise be disciplined. Any Board Member who intentionally files a false or misleading statement of Financial Interests, or knowingly fails to disclose a conflict of interest as described in this Policy, or otherwise violates any provision of this Policy, may be subject to recall in accordance with the applicable provisions of Illinois Pension Code. Certain actions in violation of this Policy may subject the Board Member or Employee to criminal penalties.

Invalid actions.

All Fund contracts shall include a provision requiring compliance with this Policy. Any contracts negotiated, entered into, or performed in violation of any of the provisions of this Policy shall be voidable as to the Fund.

Certification of Compliance.

As of each year, each Board Member shall execute and deliver to the Fund a Certification of Compliance with this Policy, in the form attached hereto as an exhibit.

Other remedies.

Nothing in this Policy shall preclude the Fund from maintaining an action for an accounting for any pecuniary benefit received by any person in violation of this chapter or other law, or to recover damages for violation of this Policy.

Effective Date: March 17, 2010
(Rev. 3/21/07; 10/20/04)

INVESTMENT MANAGEMENT AGREEMENT

Agreement made this XX day of XXX, 2010 by and between XXXXX Investment Management Company, (the "Adviser") and The Retirement Board of the Fireman's Annuity and Benefit Fund of Chicago (the "Client").

WHEREAS, the Client desires to retain Adviser as its investment manager for a portfolio of cash and securities (the "Account"), and the Adviser hereby accepts retention upon the following terms and conditions:

NOW, THEREFORE, in consideration of the mutual covenants and agreements contained in this Agreement, the parties hereto hereby agree as follows:

I. DISCRETIONARY MANAGEMENT SERVICES. Client hereby authorizes Adviser to act on its behalf without obtaining the consent of or consulting with Client or any other person; to issue to brokers and dealers instructions to purchase, sell, and otherwise trade in or deal with, any security in the Account for the account and at the risk of, and in the name of, Client; to purchase from or sell to any person any security in the Account for the account of and at the risk of, and in the name of Client; to instruct any trustee or custodian of any security or other asset in the Account to deliver securities sold, exchanged, or otherwise disposed of from the Account and to pay cash for securities delivered to any trustee or custodian upon any acquisition for the Account; and generally to perform any other act necessary to enable Adviser to carry out its obligations under this Agreement in accordance with Client's Statement of Investment Policy attached hereto as Exhibit A and Chapter 40, Act 5, Article 1 and 6 of the Illinois Compiled Statutes (as amended from time to time), and the Specific Objectives and Guidelines for Individually Managed Portfolio, attached hereto as Exhibit B (Exhibit A, the statutory references and Exhibit B are collectively referred to herein as the "Guidelines"). Adviser will manage only a portion of Client's portfolio and will not be required to comply with the restrictions in Exhibit A that apply to Client's portfolio in the aggregate (and not to a portion of such portfolio). This authorization excludes the power to deliver or pay securities or cash to Adviser.

II. ACCOUNT. As used in this Agreement "Account" means the assets of Client which by notice given or caused to be given by Client to Adviser are placed in the Account, and the investments and reinvestments of, and all income earned by, any assets from time to time in the Account. By notice given or caused to be given, Client may make additions to or withdrawals from the Account. Adviser acknowledges and agrees that Client may withdraw any assets from and make additions to the Account, including all of the assets in the Account at any one time, at any time and from time to time in its sole discretion. Adviser acknowledges that it is entering into this Agreement and agreeing to perform the obligations set forth in this Agreement without any assurance that any specific amount of assets will be in the Account at any time or that any assets will be in the Account at any time. Client represents that it is the owner of all assets it places or will place in the Account, and except as herein provided, there are and will be no restrictions whatsoever as to the trading of such assets other than the Guidelines.

III. DUTY AND LIABILITY OF ADVISER. Adviser represents that it is an investment adviser registered under the Investment Advisers Act of 1940, and that it agrees to manage the assets in the Account solely in the interest of the Account in accordance with 40 ILCS 5/1-109 et seq. (as amended from time to time) and the Guidelines, and with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims.

Adviser further represents to the Client and acknowledges that it is a "Fiduciary" as defined in 40 ILCS 5/1-101.2 (as amended from time to time), that it is fully obligated to and will manage the

assets of the Account in accordance with the "Duties of Fiduciaries" as set forth in 40 ILCS 5/1-109 (as amended from time to time), and that it will at all times fully comply with all applicable statutory and fiduciary common law applicable to it.

Adviser acknowledges that it has received a copy of the Client's Ethics Policy ("Policy"), effective as of October 20, 2004, and agrees to comply with all provisions of said Policy.

IV. DUTY OF CLIENT. Client is a public pension plan created pursuant to and governed by Chapter 40, Act 5, Articles 1 and 6 of the Illinois Compiled Statutes. Client shall have the duty to inform Adviser within a reasonable time in writing of any change in Client's status and any change to the statutory provisions referenced in this Agreement.

Client represents that it is a "qualified eligible person" as defined in Regulation 4.7 adopted by the Commodity Futures Trading Commission under the Commodity Exchange Act, as amended (the "Commodity Exchange Act").

Client also represents that none of the assets held in the Account may be considered "plan assets" as defined in the Employee Retirement Income Security Act of 1974, as amended.

V. BROKERAGE. Adviser agrees to place orders for execution with respect to all portfolio transactions for the Account with the brokers, dealers (including any broker-dealer affiliated with Adviser) or banks that the Adviser believes in good faith that Adviser can obtain best price and execution for Client through such brokers, dealers or banks. It is the policy of Client to require the Adviser to use their best efforts to utilize minority or women owned brokers or dealers if consistent with the policy of obtaining best price and execution for Client. If Adviser believes in good faith that it will not be able to obtain best price and execution through such brokers, dealers or banks, or if such brokers, dealers or banks are unable to execute a transaction or if the Adviser is placing orders for execution on an aggregated basis, then Adviser may place orders for execution of transactions with or through such brokers, dealers or banks as Adviser may select, and, in compliance with Section 28(e) of the Securities Exchange Act of 1934, may pay commissions to any broker or dealer in excess of the amount of commissions that another broker or dealer would charge if Adviser determines in good faith that the amount of commission paid was reasonable in relation to the value of the brokerage and research services provided by the broker or dealer. Adviser may not act as a broker for Client. Adviser shall not be responsible for any loss incurred by reason of any act or omission of any broker or dealer; provided, however, that Adviser will make reasonable efforts to require that brokers or dealers selected by Adviser perform their obligations with respect to the Account.

If the Account is subject to Section 11(a) of the 1934 Act and Rule 11a2-2(T) thereunder (or any similar rule which may be adopted in the future), it is agreed that, unless otherwise instructed by Client in writing, broker-dealer associates of Adviser may retain commissions in connection with effecting any securities transactions for the Account. To the extent applicable, Adviser will furnish Client with all reports required by law.

VI. REPORTING. Adviser agrees to promptly send or cause to be sent to Client and its custodian confirmations of each transaction as effected and monthly statements generated by each broker dealer through which transactions are effected in the Account. In addition, Adviser agrees to provide the following:

A. Quarterly reports of the fair market value of the assets in the Account as of the end of the quarter (the "Valuation Date"), accompanied by a statement of performance, expressed in percentages, reflecting total gross return and total net return after fees or total net return after fees for the then current quarter, year-to-date, and since inception. Additional quarterly reports include detailed portfolio purchases, sales, income accruals and receipts, brokerage activity, including

designation of all broker/dealer affiliated transactions, proxy voting, if applicable, and custodian reconciliation shall also be provided.

B. A quarterly summary of all portfolio positions the value of which fell 15% below the weighted average cost thereof as reported by the Account's custodian. If requested, the Adviser will be available to the Client to provide a brief explanation of the reason for the continued holding of portfolio positions which have dropped 20% below the weighted average cost thereof.

C. Reports must be in the form of written summary of the assets held in the Account on the Valuation Date and will include such information as requested from time to time by Client including detail of security held (whether bill, note, debenture, bond, equity, future, option, forward) purchase price (in gross, per share, or as percentage of par), strike price, maturity date, settlement date, expiration date, coupon, yield, issuer, credit ratings, and such other information as Client may request. All investments will be valued at the last sales price on the exchange on the Valuation Date or the last date prior to the Valuation Date on which the exchange on which the security was traded was open, or, if there was no sale that day, then in accordance with Adviser's customary valuation procedures. Other securities and all other assets will be valued at fair market value as determined in good faith by Adviser with a supporting statement as to the basis of that valuation.

D. Upon the written request of Client, Adviser will provide copies of any report to any person designated by Client. Client acknowledges that all of the information contained in reports supplied by Adviser may be proprietary in nature and Client shall endeavor to limit distribution of such reports only to individuals who need to receive such reports in order to fulfill their duties or responsibilities under or pursuant to the Illinois Compiled Statutes or as otherwise required by law.

E. Upon the written request of Client as to specified transactions, Adviser will make available any and all records maintained by it regarding the placement and execution on behalf of the Account of such transactions.

F. Adviser agrees to provide Client an annual report as to the ownership of (as defined below) (an "Annual Ownership Report"). Adviser agrees to notify Client of any (i) change in ownership equal to or in excess of twenty percent (20%) of the outstanding ownership interests as indicated in the most recent Annual Ownership Report provided to Client, (ii) change in the portfolio management team or (iii) significant reduction of assets (defined as equal to or in excess of 20%) under management or within the assigned mandate, within any three month period, as a result of losses in client base, within fifteen business days.

G. Upon reasonable advanced notice, Adviser agrees to provide on a timely basis such certifications and /or reports as may be required by any law or regulation applicable to Client, provided such certification or report does not violate any law or client confidentiality obligations applicable to Adviser.

VII. NON-EXCLUSIVE CONTRACT. Adviser is not restricted in acting as an investment manager or from performing investment management or other services for any other person or entity, nor is Adviser or any of its personnel or affiliates restricted from having investments or making investment transactions for its or their own accounts or for the accounts of other clients. Adviser may give advice and take action with respect to other clients' funds which may differ from the advice given, or the time or nature of action taken, with respect to client. Adviser has no obligation to purchase or sell for Client, or to recommend for purchase or sale by Client, any security which Adviser, its principals, affiliates, or employees may purchase or sell for themselves or for any other client. Client recognizes that transactions in a specific security may not be accomplished for all client accounts at the same time or at the same price.

Client acknowledges that Adviser may, in its sole discretion, aggregate purchases or sales of any security or instrument effected with respect to Client's account with purchases or sales of the same security or instrument effected on the same day for the accounts of one or more of Adviser's other clients. When transactions are so aggregated, (a) actual prices applicable to the aggregated transaction will be averaged, and Client's account and each other account participating in the aggregated transaction will be deemed to have purchased or sold its share of the security or instrument involved at that average price and (b) all transaction costs incurred in effecting an aggregated transaction will be shared on a pro-rata basis among all accounts participating in the aggregated transaction.

VIII. CUSTODY. All transactions authorized by this Agreement will be carried out through such custodians as Client may, from time to time, appoint in writing for that purpose. Adviser may not act as a custodian of Client and will not be liable for any act or omission of any custodian, including but not limited to any loss arising from, on account of or in connection with any custodian failing to timely notify Adviser of any corporate action or similar transaction. Custodian will report monthly to Client the value of the securities in the account.

IX. COMPENSATION TO ADVISER. Client agrees to pay Adviser as full compensation for the services rendered under this Agreement, a quarterly fee based on the average of the asset value of the Account as of the last day of each month of each calendar quarter equal to one-fourth of the applicable annual rate as set forth on the Schedule attached as Exhibit C. For fee calculation purposes, the value of the securities in the Account shall be determined at the end of each month by the custodian.

X. AGREEMENT NOT ASSIGNABLE. Adviser may not assign (as that term is defined under the Investment Advisers Act of 1940 and in accordance with Section 205(2) thereof) any of the rights or obligations hereunder without the written consent of Client. Further, Adviser agrees to provide to Client promptly after preparation without charge, annually, Adviser's current completed Form ADV Part II.

Upon written notice to, and the consent of Client, Adviser shall be authorized to delegate any or all of its investment management and advisory services to its affiliated investment advisers. In such event, Adviser shall remain responsible for the provision of the delegated services as if such services had been provided directly by Adviser. .

References in this Agreement to Adviser shall, unless the context otherwise requires, be deemed to include any such affiliated investment advisers to which Adviser delegates any such functions.

XI. TERM OF AGREEMENT. This Agreement is effective on the date specified below and shall continue on a month-to-month basis until terminated. Termination of this Agreement will not, in any case, affect or preclude the consummation of any transaction initiated prior to receipt of written notice of such termination.

XII. TERMINATION. The investment discretion granted by this Agreement may be terminated by the client upon written notice given to the Adviser. Thirty (30) days prior written notice of termination must be provided by the Adviser to the Client. If Adviser serves for less than a full calendar quarter its compensation will be determined, on the basis of the value (calculated pursuant to paragraph VI(A) above) of the assets in the Account on the termination date, on a pro rata basis for the period during which it served as Adviser with investment discretion.

XIII. PROXIES AND OTHER SHAREHOLDER ACTION. Client appoints Adviser as its agent to vote all proxies at Adviser's discretion, provided that Adviser will exercise this discretion solely in the best interests of the beneficiaries of the Account, and Adviser agrees to provide a quarterly summary of balloting to Client. Client acknowledges that the Adviser's ability to vote

proxies may be significantly limited if investments are made in emerging markets. Client also authorizes Adviser to take such other action that it desires as a holder of any security in the Account, such as voting in reorganizations and other corporate actions. Adviser will not advise Client or act for Client in or otherwise monitor any legal proceedings, including bankruptcies and class action litigation, involving securities held or previously held by the Account or the issuers of these securities.

XIV. NOTICES. Any notice direction, instruction, acknowledgment, or other communication required or contemplated by this Agreement must be in writing, and may be delivered via guaranteed overnight delivery service, personal delivery, or certified mail and addressed as follows:

To Client: The Firemen's Annuity & Benefit Fund of Chicago
Twenty South Clark Street, Suite 1400
Chicago, Illinois 60603
Attn: Michael Moran
Chief Investment Officer
e-mail: mikmor13@aol.com

To Adviser: XXXXX Investment Management Company

Attn:
Email:

Any party by notice hereunder to the other may designate a different address.

Any notice, direction, instruction, acknowledgment or other communication indicating that it reflects action by Client may be accepted by Adviser and Adviser will have no obligation to inquire further with respect thereto and will be fully protected in relying and acting upon any such communication.

XV. DISCLOSURE STATEMENT. Client acknowledges receipt of Adviser's Form ADV Part II at least forty-eight hours prior to the date of execution of this Agreement.

XVI. ENTIRE AGREEMENT. This Agreement constitutes the entire agreement of the parties with respect to the management of the Account, and it can be amended only by a written document signed by both of the parties. This Agreement and all amendments hereto shall be governed by Illinois law without regard to the conflicts of law provisions thereof.

XVII. AUTHORITY. Each party to this Agreement hereby represents that it is duly authorized and empowered to execute, deliver, and perform this Agreement and that none of the execution, delivery, or performance of any action contemplated in this Agreement conflicts with or violates any provision of law, rule or regulation, contract, deed of trust, or other instrument to which it is a party or to which any of its property is subject, and this Agreement is a valid and binding obligation enforceable upon it in accordance with its terms. Further, Adviser acknowledges that it is a "fiduciary" within the meaning and under the provisions of Chapter 40, Act 5, Article 1, of the Illinois Compiled Statutes, by virtue of the nature and scope of the services to be performed by Adviser under this Agreement.

XVIII. GOVERNING LAW; CONSENT TO JURISDICTION. This Agreement and its enforcement shall be governed by the internal laws of the State of Illinois. The Client and the Adviser hereby consent to the exclusive jurisdiction, venue and forum of any state or federal court located in Illinois, with respect to any action commenced by the parties hereto which in any way relates to the subject matter of this Agreement.

XIX. LIMIT OF LIABILITY. Client represents that (a) it recognizes the inherent market fluctuation risks which surround the investment and reinvestment of assets; (b) it is aware of the long-term nature of investing and possible losses on the transactions in which Adviser will engage on behalf of Client, and it is financially capable of bearing such losses; (c) it has significant additional resources beyond the Account and (d) it has not received any written or verbal guarantees of performance of the Account and understands that no representative or agent of Adviser is authorized to make any such guarantees or representations now or in the future.

To the extent permitted by law, Adviser shall not be liable for any error of judgment or for any loss suffered by Client in connection with the subject matter of this Agreement, except loss resulting from willful misfeasance, bad faith or gross negligence in the performance by Adviser of its duties, or by reason of Adviser's reckless disregard of its obligations and duties under this Agreement. Adviser shall have no responsibility, liability, duty or obligation except as expressly assumed pursuant to this Agreement. Adviser shall not be responsible for any loss incurred by reason of any act or omission of Custodian or any third party. Adviser shall be fully protected in acting upon any instruction believed by it to be genuine and signed or communicated by or on behalf of Client, and Adviser shall be under no duty to make any investigation or inquiry regarding any Client instruction. Adviser does not assume responsibility for the accuracy of information furnished by Custodian or any third party on which it reasonably relies. Notwithstanding anything herein to the contrary, Adviser shall not be liable for any special, indirect or consequential damages.

XX. MISCELLANEOUS. This Agreement may be executed in counterparts, each of which will be considered as an original. Where the context admits, words in the plural will include the singular and in the singular will include the plural.

IN WITNESS WHEREOF, the parties hereto have executed this Agreement as of the date and year first above written.

Client: The Firemen's Annuity and Benefit Fund of Chicago

By: _____ 2010
President Date

By: _____ 2010
Secretary Date

Adviser: XXXXXX Investment Management Company

By: _____ 2010
Authorized Agent Date

EXHIBIT "C"

FEE SCHEDULE

The Firemen's Annuity and
Benefit Fund of Chicago

2010

The fees of XXXXX Investment Management Company (the "Adviser") for investment counsel services for the above Account shall be paid quarterly in arrears at the rates indicated below based on the average market value of the investment capital of the Account, including cash or its equivalent held for investment, at the end of the quarter, measured at each month end during the previously completed quarter, as reported by the custodian. The fee for any period which is less than a full quarter shall be prorated on a daily basis.

<u>Assets Managed</u>	<u>Annual Fee</u>
First \$XX million	XX basis points
Next \$XX million	XX basis points
All remaining assets	Negotiable

Fees will be billed quarterly, at the beginning of each calendar quarter, based on the average value of assets under management, measured at each month end during the preceding quarter. The Adviser agrees that during the term of this Agreement it will not charge another client a lower fee for which it provides the same services involving the separate management of an investment portfolio having an equal size and the same investment objectives and strategies, similar investment restrictions and the same benchmark index as the Client. If during the term of this Agreement the Adviser enters into an agreement with another similar type of client to provide the same services involving the separate management of an investment portfolio having a size less than or equal to the Account's then current account size (for the avoidance of doubt, the "then current account size" shall be based on actual funding amount by Client and not the market value of the assets under management), within the same investment objectives and strategies, similar investment restrictions and the same benchmark index as the Client pursuant to a lower fee schedule, such lower fee schedule shall apply to this Agreement and shall supersede the fee schedule set forth in this Agreement. This provision shall not apply in the case of any client of the Adviser that (i) is an investment adviser who has retained the Adviser to serve as sub-adviser, (ii) is a registered investment company, (iii) is a wrap fee program, (iv) is a commingled product, or (v) has multiple accounts under management by the Adviser.

XXXXX Investment
Management Company

The Firemen's Annuity and Benefit
Fund of Chicago

By: _____
Authorized Agent

By: _____

Its: President

By: _____

Its: Secretary

Statement of Investment Policy

February 2010

**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. 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(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 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(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.

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 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>
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%
Total Equities	65%	55%	75%
<u>Alternative Investments</u>			
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%
Total Alternative Investments	20%	0%	32%
<u>Fixed Income</u>			
Market Fixed Income	15%	15%	30%
Total Fixed Income	15%	15%	30%
<u>Total</u>	<u>100%</u>		

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

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 (Section VII). 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 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. 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, FEMALE AND DISABLED PERSONS BROKERAGE*, it is the policy of the Fund to utilize Minority, Female and Disabled Persons owned brokerage services, as defined in the Illinois Business Enterprise for Minorities, Female and Persons with Disabilities Act, 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 at least 10% of its fixed income transactional amounts and at least 20% of its equity related commissions 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 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, 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 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. 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(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 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**

Less than one market cycle
(approx. 1 and 3 years).

Rank in upper 50% of a
Universe.¹

One market cycle
(approx. 5 years).

Rank in upper 33% of a
Universe.¹

Exceed the return on a benchmark
Index by 1% after fees.²

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 public funds.

² 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: To:	12/31/95 6/30/96	6/30/96 9/30/96	9/30/96 12/31/96	12/31/96 6/30/97	6/30/97 12/31/97	12/31/97 12/31/98	12/31/98 3/31/99	3/31/99 6/30/00	6/30/00 3/31/01	3/31/01 12/31/02	12/31/02 12/31/04	12/31/04 1/31/05	1/31/05 2/28/06	2/28/06 8/31/06	8/31/06 3/31/08	4/1/08 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	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	0.0	4.0	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
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	0.0	3.0
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	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 +/- 0.35%	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>				
Logan	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 1000 Growth Index + 1%	10%
Marvin & Palmer	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell 1000 Growth Index + 1%	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>Dom. Small/Mid Cap Growth Equity</u>				
GlobeFlex	Upper 50% of Peer Group	Upper 33% of Peer Group	Russell2500 Growth Index +2%	10%
<u>International Equity</u>				
Brandes	Upper 50% of Peer Group	Upper 33% of Peer Group	MSCI EAFE Index + 1%	N/A
William Blair	Upper 50% of Peer Group	Upper 33% of Peer Group	MSCI 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>				
Western Asset Mgmt. Co.	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>				
Pacific Investment Mgmt. Co.	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/Altura	N/A	N/A	80% BC Inv Gr CMBS/ 20% BC US ABS	N/A
Wellington/Advent	N/A	N/A	80% BC Inv Gr CMBS/ 20% BC US ABS	N/A
Citigroup Alternatives	N/A	N/A	NCREIF Property Index	N/A
TOTAL FUND	Upper 50% of Universe	Upper 33% of Universe	Fund Index ¹ + 1%	N/A

¹ 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	
One market cycle (approx. 5 years).	NA	Track the Russell 1000 Index +/- 0.35%.

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 unless otherwise directed, 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 unless otherwise directed, 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- Holdings may include up to 15% American Depository Receipts (ADRs).

¹ 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- Holdings may include up to 10% American Depository Receipts (ADRs).

¹ As measured by the Mercer Large Cap Value 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- Holdings may include up to 10% American Depositary Receipts (ADRs).

¹ As measured by the Mercer Large Cap Growth 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- Holdings may include up to 10% American Depositary Receipts (ADRs).

¹ As measured by the Mercer Large Cap 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- 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 Depositary Receipts (ADRs).

¹ 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- 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 Depositary Receipts (ADRs).

¹ As measured by the Mercer SMID Capitalization Value 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- 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 Depositary Receipts (ADRs).

¹ As measured by the Mercer SMID Capitalization Growth 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	Exceed (after fees) the EAFE Index by 1%.

Investment Guidelines

- Appropriate investments consist of non-US 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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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) 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.
- 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.

¹ 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	Exceed (after fees) the EAFE Growth Index by 1%.

Investment Guidelines

- Appropriate investments consist of non-US 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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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) 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.
- 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.

¹ 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	Exceed, on an after fee basis, the S&P Developed Small Cap Index (EMI) ex US by 2%.

Investment Guidelines

- Appropriate investments consist of non-US 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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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) 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.
- 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.

¹ 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	Exceed (after fees) the MSCI Emerging Markets Index by 1%.

Investment Guidelines

- Appropriate investments consist primarily of non-US 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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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 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.
- Forward contracts may be used at the manager’s discretion to hedge currency exposure.

¹ As measured by the Mercer Emerging Markets Equity Peer Group.

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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	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.
- The manager is expected to maintain a fully invested position at all times unless otherwise directed, 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.
- 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.

¹ As measured by the Mercer Core Investment Grade Fixed Income 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a broad fixed income Universe. ¹	Exceed (after fees) the Barclays Capital Aggregate Index +0.5%.

¹ 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 manager is expected to maintain a fully invested position at all times unless otherwise directed, 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.
- 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 Barclays Capital 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 supranational 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: 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. ¹	
One market cycle (approx. 5 years).	Rank in the upper 33% of a Peer Group. ¹	Exceed (after fees) the Barclays Capital + 1.0%. ²

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 manager is expected to maintain a fully invested position at all times unless otherwise directed, 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.

- 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.

¹ 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	
One market cycle (approx. 4-6 years).	N/A	Exceed (after fees) the Benchmark Index ¹ by the risk-free rate.

Investment Guidelines

- 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.
- To the extent not governed by the prospectus of the PIMCO Commodities Real Return Fund – Institutional Class, the following guidelines apply:
- The account will be managed so that the net total commodity exposure is equal to 100% of the underlying assets of the total account.
- Any leveraged derivative position must be fully collateralized.
- The collateral must be invested in investment grade fixed income securities.
- Holdings in one commodity sector should not exceed 150% of the Index weighting, measured at market value

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

¹ As measured by the Goldman Sachs Commodity Index.

Investment Guidelines

- The account will be managed so that the net total commodity exposure is equal to 100% of the underlying assets of the total account.
- Any leveraged derivative position must be fully collateralized.
- 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 may be bought or sold.
- 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 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, 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.
- 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.) and by underlying private equity investment managers should be maintained.
- 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 industry, vintage year, and geography (domestic and non-US) should be maintained.
- 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.) and by underlying private equity investment managers should be maintained.
- 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. Primary private equity holdings shall be limited to 25% of total investments.
- Adequate diversification by secondary private equity subclass (venture capital, buyout, mezzanine, distressed debt, special situation, and non-U.S.) and by underlying private equity investment managers should be maintained.
- 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. Primary private equity holdings shall be limited to 20% of total investments.
- Adequate diversification by private equity subclass (venture capital, buyout, mezzanine, distressed debt, special situation, and non-U.S.) and by underlying private equity investment managers should be maintained.
- 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.
- Adequate diversification by real estate sectors, underlying investment manager, fund strategy, vintage year, and geography (domestic and non-US) should be maintained.
- Citigroup Property will execute for the Fund any and all documents pertaining to real estate limited partnership investments, including, but not limited to, real estate limited partnership agreements, real estate limited partnership subscriptions agreements and amendments to said agreements.

Manager: Alliance Bernstein
Role: Public-Private Investment Fund

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 8-10 years).	N/A	Custom 80% Barclays Capital Investment Grade CMBS Index / 20% Barclays Capital ABS HEL Basket Index

Investment Guidelines

- Assets are to be invested in the Alliance Bernstein Legacy Securities Master Fund, L.P.. As such, they are subject to the guidelines set forth in the partnership agreement.
- The Master Fund will invest in CMBS and Non-Agency RMBS loans that were issued prior to 2009 that were originally rated AAA or an equivalent, and that are secured directly by actual mortgage loans, leases, or other assets and not by other securities.
- The Master Fund may also invest in Temporary Investments, as well as engage in derivative transactions, including interest rate swaps, but solely for the purpose of seeking to reduce the Master Fund's interest rate exposure with respect to debt obligations.
- At least ninety percent (90%) of the loans and other assets underlying any Eligible Asset (as described in the private placement memorandum) must be situated in the United States. The Eligible Assets must be purchased solely from Financial Institutions from which the US Treasury may purchase assets pursuant to Section 101(a)(1) of the Economic Stabilization Act of 2008.

Manager: Wellington Management
Role: Public-Private Investment Fund

Objectives and Guidelines

Investment Objectives

Time Horizon	Performance Standard	
	<u>Universe</u>	<u>Index</u>
One market cycle (approx. 8-10 years).	N/A	Custom 80% Barclays Capital Investment Grade CMBS Index / 20% Barclays Capital ABS HEL Basket Index

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.
- The Master Fund will invest in CMBS and Non-Agency RMBS loans that were issued prior to 2009 that were originally rated AAA or an equivalent, and that are secured directly by actual mortgage loans, leases, or other assets and not by other securities.
- The Master Fund may also invest in Temporary Investments, as well as engage in derivative transactions, including interest rate swaps, but solely for the purpose of seeking to reduce the Master Fund's interest rate exposure with respect to debt obligations.
- At least ninety percent (90%) of the loans and other assets underlying any Eligible Asset (as described in the private placement memorandum) must be situated in the United States. The Eligible Assets must be purchased solely from Financial Institutions from which the US Treasury may purchase assets pursuant to Section 101(a)(1) of the Economic Stabilization Act of 2008.

- 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 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 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, female 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..

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 Section 1-113.2 of the Illinois Pension Code and the Fund's minority, female and disabled persons brokerage goals.