

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



SECTION 1 – OVERVIEW

1.1 INTRODUCTION

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

Active Foreign Currency: The mandate could be funded on a notional basis, in consultation with the Trustees, selected investment advisor, investment consultant and fund staff.

A qualifying investment advisor 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. Once selected, the Board requires that each investment advisor 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 (MFDDBE) 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 the Fund's 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 advisor is subject to final approval by the Fund's Board of Trustees.

1.2 SUBMISSION OF PROPOSAL

Interested firm must submit an email to Callan by August 30, 2013 indicating their intent to participate in the Fund's Search for Investment Advisors. In addition, interested parties must ensure firm and product information has been submitted to the Callan Manager database in accordance with Section 3.2 of this document. Investment managers indicating their intent to respond must also certify the responding firm meets the minimum guidelines presented in Section 2 of this SIA.

Emails indicating intent to participate:

Email should be sent to ChicagoFireSearches@callan.com

Subject Line: Chicago Fire SIA: Active Foreign Currency

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

Please include a statement indicating the responding firm meets the minimum requirements as outlined in Section 2 of this document.

To gain access to Callan's Manager Database

please visit http://www.callan.com/datatools/questionnaire_jump/

OR

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

Firms which indicate their intent to respond are not required to complete a full proposal. Semi-finalist candidates will be notified and asked to complete a full proposal. All proposals must be complete in every respect and must answer clearly and concisely all questions presented in this Search for Investment Advisor. Semi-finalist candidates 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. The timeline for completion will be provided upon notification. 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:

Callan Associates Inc.

**Attn: Roy Birchard– Chicago Fire SIA – Active Foreign Currency
Callan Associates, Inc.**

**101 California St., Suite 94111
San Francisco, CA**

Email versions should be sent to ChicagoFireSearches@callan.com

1.3 INQUIRIES

During the evaluation process, the Fund retains the right to request additional information or clarification from 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: ChicagoFireSearches@callan.com

All inquiries must be received no later than August 15, 2013. Generalized responses to inquiries will be posted to the Fund's website no later than August 23, 2013.

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	August 15, 2013
SIA Intent to Participate Due Date	August 30, 2013
Semi-Finalist Notification	TBD
SIA Submission Due Date	TBD
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 advisor will begin no later than October 2013. Following notification of the selected firm, it is expected that a contract will be awarded not later than December 2013, subject to actions by the Fund and its Board of Trustees.

SECTION 2 – MINIMUM REQUIREMENTS

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

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

2. The Company must have a documented and verifiable three-year track record for 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 20% of the Company's total firm assets or 20% of the proposed strategy total assets.
4. The company and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law.
5. The company will carry errors and omissions insurance or comparable instruments to cover negligent acts or omissions.
6. The company must provide audited financial statements and provide three copies of their ADV's.
7. The company must maintain sufficient procedures and capabilities to ensure the timely and accurate backup and full recovery for all computers and other data storage systems.
8. The company must have a company policy and practice of equal employment opportunity and non-discrimination based on race, creed and/or gender.
9. The company must comply with the Fund's Minority, Female, and Disabled Business Enterprises ("MFDBE") brokerage policy.
10. The company must comply with the Fund's Ethics Policy
11. All candidate firms must also have their information in the Callan database (www.callan.com/datatools/questionnaire_jump/), in addition to submitting this SIA---this must be done prior to indicating the intent to respond to 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 Callan.
13. The Manager will document all investment transactions with the Fund's master custodian in accordance with the usual and customary standards of practice and confirm all executed transactions from custodial account records; the Fund's current master custodian is Northern Trust.
14. All minimum requirements must be met by August 30, 2013.

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 Callan’s Manager Database. The investment consultant will identify all SIA’s received from minority, female and disabled person’s business enterprises (“MFDBE”).

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 MFDBE 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 advisor which, in its sole opinion, will provide the best match to the requirements of the Search for Investment Advisor, 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 –CALLAN’S MANAGER DATABASE

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

Investment return data streams and asset level data
(firm-wide and at the product level) should be updated through June 30, 2013

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

OR

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

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

3.3 – QUIET PERIOD

A Quiet Period will be in effect during the entire Search for Investment Advisor 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 Callan.

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 advisor 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 nearly 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 advisors. The Fund's portfolio allocation, as of May 31, 2013 is as follows:

	<u>Target</u>	<u>Actual</u>	<u>Market Value</u>
Equities	65%	70%	\$708 million
Fixed Income	25%	24%	\$241 million
Alternatives	10%	6%	\$57 million

SECTION 5 –SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE

5.1 PRESENTATION REQUIREMENTS:

Semi-finalist candidates 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 Advisor 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 consultant and investment staff, the Firemen's Annuity & Benefit Fund of Chicago thanks you for your interest, time and effort in responding to this Search for Investment Advisor.

SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE
Active Foreign Currency

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

1. Organizational Information (as of June 30, 2013)

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

2. Investment Team and Strategy Information

- Investment Philosophy
- Investment Team Structure and Investment Vetting Process
- Historical Risk/Return Characteristics
- Historical and Projected Tracking Error of Strategy and Portfolio Turnover
- Portfolio Construction Methodology
- Number of Positions Typically Held
- 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 Advisor Questionnaire, (Company Name) certifies the following statements are true:

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

The firm agrees to act as a fiduciary to the Fund in accordance with Illinois 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 20% of the firm's total assets or 20% of the proposed strategy total assets.

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

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

There are no past or present litigation or regulatory actions against the firm or any current employees at the time of submitting the 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 Advisor in connection with the provision of services to the Fund have been paid.

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

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

The firm understands and will comply with the Fund's Ethics Policy.

The firm understands and will comply with the Fund's MFDDBE 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 Advisor:

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 or 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 MANAGER AGREEMENT

THIS INVESTMENT MANAGER AGREEMENT (this “Agreement”), made this ___ day of June, 2013, by and between THE FIREMENT’S ANNUITY AND BENEFIT FUND OF CHICAGO, a retirement system organized and existing under the laws of the State of Illinois (the “Fund”) and (Investment Advisor) (the “Manager”).

RECITALS

WHEREAS, the Retirement Board (the “Board”) maintains and administers the Fund, which Fund has been divided into investment management portfolios (and which further may be divided into additional investment management portfolios) for the purpose of investment of the assets of the Fund; and

WHEREAS, the Board has adopted a Statement of Investment Policy setting forth, among other things, guidelines applicable to the respective investment management portfolios, a current copy of which is attached hereto as **Exhibit A** (which policy may be unilaterally amended from time to time by the Fund, the “Statement of Investment Policy”); and

WHEREAS, pursuant to the power vested in the Board it now is considered desirable for the Fund to appoint and retain the Manager as an investment manager for the Fund; and

WHEREAS, the Fund and Manager desire to enter this Agreement with respect to the appointment of the Manager as an investment manager, subject to the terms and provisions hereof.

AGREEMENT

NOW, THEREFORE, in consideration of their mutual undertakings, IT IS AGREED by and between the parties hereto as follows:

1. **Incorporation of Recitals.** The foregoing Recitals are incorporated herein by this reference and this Agreement shall be construed consistently therewith.

2. **Appointment of Manager.** Pursuant to Chapter 40, Act 5, Article 1, of the Illinois Compiled Statutes, the Fund hereby appoints the Manager as an investment manager to, in its sole discretion, to invest and reinvest and otherwise manage a portion of the assets of the Fund (the “Portfolio”), utilizing Northern Trust Company, as the Fund’s Custodian. Such Portfolio shall consist of those assets of the Fund (to be initially valued at approximately the amount set forth on **Exhibit B** to this Agreement) which are being held for such purpose pursuant to the Board’s direction by the Custodian, or any duly appointed successor. The Portfolio is comprised of the asset class(es) specified and described in **Exhibit B** to this Agreement (each, an “Asset Class”). The Fund and the Manager agree that the Manager will manage and provide oversight as to the investment and reinvestment of the Portfolio. The Manager shall for all purposes herein

provided be deemed to be an independent contractor and unless otherwise expressly authorized or provided, shall not have authority to act for or represent the Fund or its Board in any way or otherwise be deemed to be an agent of either of them.

3. Acceptance of Appointment. The Manager hereby accepts its appointment as an investment manager pursuant to the terms and conditions set forth in this Agreement. The Manager acknowledges that as such investment manager it is a fiduciary as that term is defined in the Illinois Pension Code with respect to the Portfolio and assumes the duties, responsibilities and obligations of such fiduciary as defined in the Illinois Pension Code. Manager agrees to act hereunder in accordance with the applicable requirements of the Illinois Compiled Statutes, Chapter 40, Act 5 and any subsequent applicable amendments thereto (the “Illinois Pension Code”). Manager further agrees to provide such investment management services with respect to the Portfolio in accordance with this Agreement and the Statement of Investment Policy, as amended from time to time. Manager acknowledges receipt of copies of all documents referenced herein.

4. Representations, Warranties and Covenants of the Manager.

4.1 In General. The Manager represents and warrants to the Fund that: (a) it is a duly registered as an investment adviser pursuant to the Investment Advisers Act of 1940 (the “40 Act”); (b) the Manager will notify the Board immediately upon any change in its status as a registered investment adviser under the 40 Act; (c) the Manager has completed, obtained or performed all other acts, registrations, filing, approvals, authorizations, consents or examinations necessary to comply with the requirements of any government or governmental authority for the performance of the acts contemplated by this Agreement; (d) the Manager has full corporate power and authority to enter into and perform its obligations under this Agreement; (e) neither the Manager nor any of the Manager’s present or former officers, directors, equity holders, employees or other Affiliates (i) has been convicted of bribery or attempting to bribe an officer or employee of the State of Illinois, any unit of federal, state or local government or any governmental agency, (ii) has made an admission of guilt of the conduct described in subsection (e)(i) which is a matter of record, (iii) is the subject of any significant legal action or any investigation, examination or other proceeding commenced by any governmental agency which if determined adversely would be likely to materially and negatively affect the Manager’s ability to perform under this Agreement or (iv) is, except as an investment manager under this Agreement, a “party in interest” of the Fund as such term is defined by the Illinois Pension Code; and (f) Manager has disclosed to the Fund in Exhibit C hereto the names and addresses of any (i) entity that is a parent of, or owns a controlling interest in, Manager, (ii) entity that is a subsidiary of, or in which a controlling interest is owned by, Manager, (iii) persons who have an ownership or distributive income share in Manager that is in excess of 7.50% and (iv) person that serves as an executive officer of Manager. The term “Affiliate” means, with respect to a specified individual or entity, any other individual or entity which, directly or indirectly, through one or more intermediaries, controls, is controlled by, or is under common control with such specified individual or entity and, in the case of an individual, any member of such individual’s immediate family (including parents, parents-in-law, spouse and children) and any trust or estate for which such individual or one or more members of such individual’s immediate family serves

as a trustee or in a similar capacity or in which such individual or one or more members of such individual's immediate family has a substantial beneficial interest. As used in defining "Affiliate", the term "control" (including, with its correlative meanings, "controlled by" and "under common control with") means possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of the relevant entity, whether through the ownership of voting capital stock or membership interests, by contract, or otherwise.

4.2 Bond. The Manager shall secure and maintain at all times during the term of this Agreement, and for a period of five (5) years thereafter, a bond or bonds protecting the Fund assets that meet the requirements of, and in the amount specified under, Section 412 of ERISA [29 USCS Sec. 1112] and the regulations thereunder, and shall include among those covered by such bond or bonds the Manager and any natural person employed by the Manager or its Affiliates who is a fiduciary or who handles or controls assets constituting a portion of the Fund. Solely for purposes of applying Section 412 of ERISA to determine the bonding requirement under this Section, the Fund shall be deemed an "employee benefit plan" covered by ERISA and the Manager shall be deemed to be a "plan official" of the Fund.

4.3 Insurance. The Manager shall secure and maintain throughout the term of the investment management relationship with the Fund, and for a period of five (5) years thereafter, insurance that satisfies the requirements set forth below and that is provided by insurer(s) rated A- or better by A.M. Best & Company. Manager shall provide to the Board:

- (a) a certification that the Manager has obtained the requisite insurance policies as of the date of this Agreement;
- (b) an annual certification that the insurance requirements continue to be satisfied; and
- (c) evidence of continued satisfaction of the insurance requirements upon request.

The minimum insurance required for the Manager shall include:

- (i) a bond or bonds required under Section 4.2 of this Agreement protecting the Fund's assets that meets the requirements of, and that is in the amount specified under, ERISA and the regulations thereunder as specified in Section 4.2 of this Agreement; and
- (ii) errors and omissions coverage in an amount equal to the greater of: (A) \$5 million; and (B) the lesser of (1) 5% of the value of the Portfolio or (2) \$10 million.

The insurance shall protect the Fund against losses from the negligent acts, errors or omissions of the Manager, including the Manager's personnel and other representatives involved in the management of the Portfolio.

4.4 Notice of Material Changes. The Manager shall notify the Fund in writing within five (5) business days of any material changes in senior officers, senior personnel involved in the management of the Portfolio, ownership, significant legal actions instituted against Manager or any officer, director, employee or other Affiliate of the Manager, or any investigations, examinations, or other proceedings commenced by any governmental regulatory agency which if determined adversely, would likely materially and negatively affect the ability of Manager to perform under this Agreement.

4.5 Fees, Commissions or Payments; Third Party Marketing Agreements. The Manager represents and warrants that no direct or indirect fees, commissions, penalties or payments or other compensation, of any type, have been or will be paid to any third party in connection with the provision of services under this Agreement. The Manager acknowledges an ongoing duty to notify the Fund in writing of the payment of any such fees, commissions, penalties or other compensation to any such third party within five (5) business days of any change requiring such payment. **Manager acknowledges that that the payment of placement or contingent fees related to management of the Portfolio, contingent in whole or in part upon the decision or procurement of services by the Fund from Manager, are prohibited.**

4.6 Compliance with Law. The Manager shall comply with all applicable laws of the State of Illinois and the United States of America, and any governmental or regulatory authority outside of the United States. Regulatory reports required under laws applicable to the Manager by any regulatory authority shall be the responsibility of the Manager.

4.7 Satisfactory Evidence. The Manager will furnish to the Fund, from time to time, such evidence as the Fund may reasonably request that it satisfies the foregoing requirements, and shall promptly notify the Fund if it has reason to believe that any of the foregoing representations, warranties or covenants may cease to be satisfied.

5. Powers, Rights and Duties.

5.1 In General. The Manager shall, subject to the Statement of Investment Policy and the Illinois Pension Code, including the specific guidelines/mandates applicable to the Portfolio set forth in the Statement of Investment Policy and **Exhibit B** hereto, and applicable law, from time to time: (a) invest and reinvest in short term cash equivalents having ready marketability such amount forming a part of the Portfolio as the Manager considers advisable and as are permitted by applicable law; (b) invest and reinvest the balance of the Portfolio in any shares of stock, bonds, mortgages, notes, collective investment funds, mutual fund shares or other property of any kind, real or personal; (c) sell or otherwise dispose of any investments made previously and reinvest the proceeds thereof; (d) exercise or abstain from exercising any options, privileges or rights (including, without limitation, voting rights) held as a part of the Portfolio; provided, however, that all such activities shall be conducted in a manner consistent with the Manager's fiduciary and other obligations hereunder and under the Illinois Pension Code. The Manager, however, shall not be authorized to take custody or possession of any assets of the Portfolio. All Fund assets shall at all times be registered in the name of the Fund or the name of the Custodian or its nominee for the account of the Fund, and the indicia of ownership of all Fund assets shall

at all times be maintained in trust by the Custodian. In carrying out its duties hereunder the Manager shall meet with the Board periodically as directed by the Fund.

5.2 Disclosure of Fees. The Manager shall fully disclose to the Fund in writing on at least a quarterly basis all direct and indirect fees, commissions, and any other compensation that may be received by the Manager, including reimbursement for expenses, related to management of the Portfolio.

5.3 Report of Transactions. The Manager shall deliver to the Fund and the Custodian as soon as practicable after the close of each calendar quarter a written statement showing, the, the following information relating to the Portfolio: (a) all investments of the Portfolio (including cash balances and cash equivalents held by the Custodian) and their market values as of the close of business on the last business day of each such calendar quarter; (b) an analysis of the investment results for such calendar quarter net of all fees, commissions or other compensation; (c) the transactions for the Portfolio effected by it during such calendar quarter, the broker-dealers involved with such transactions, the amount of commissions or other consideration paid to each broker-dealer and whether each such broker-dealer is affiliated with the Manager and (d) such written report and statement relating to its management and management of the selected sub-managers, if any, of the Portfolio, as may be requested. In addition, Manager shall provide Fund with a monthly analysis of the investment results of the Portfolio. All returns on investment shall be reported as net returns after payment of all fees, commissions, and any other compensation. On an annual basis, Manager shall provide such certifications relating to Manager's compliance with the provisions of this Agreement as may be required by the Fund.

5.4 General Reporting. In addition to the reports and documents otherwise specified in this Agreement and/or the Statement of Investment Policy, the Manager shall promptly deliver such other reports and/or documents concerning the Portfolio and/or the Manager's performance hereunder as the Fund may reasonably request from time to time. Any report and/or document delivered by the Manager under this Agreement shall be in form and substance satisfactory to the Fund.

5.5 Coordination with Investment Adviser, Investment Consultant and other Fund Designees. The Manager hereby acknowledges that, as contemplated in the Statement of Investment Policy, the Fund may from time to time engage investment advisers/consultants to, among other things, assist the Fund in evaluating investment manager performance and investment of Portfolio assets. The Manager shall cooperate with any such investment adviser/consultant, including responding to data requests and providing such adviser/consultant with copies of any report otherwise deliverable to the Fund under this Agreement.

5.6 Further Assurances. The Manager shall execute and deliver any and all additional papers, documents and other assurances, and shall do any and all acts and things reasonably necessary in connection with the performance of the Manager's obligations hereunder to carry out the intent of the parties hereto.

5.7 Disclosure of Subcontractors and Sub-managers. Throughout the term of this Agreement, Manager shall provide Fund with the names and addresses of any subcontractors and sub-managers to Manager and the expected amount of money each such subcontractor and sub-manager will receive under its contract with Manager in relation to the Portfolio (collectively the “Sub-Manager List”). Manager covenants to notify Fund, in writing, as to any additions or deletions to the Sub-Manager List, including information as to the name, address and expected fees to be earned by any additional subcontractor and sub-manager, within five (5) business days of any such change to the Sub-Manager List.

6. Brokerage on Portfolio Transactions.

6.1 In General. All transactions authorized by this Agreement with respect to the Fund shall be carried out through the Custodian, but the Manager may in its sole discretion designate a broker/dealer(s) to carry out said transactions, unless the Fund, by formal written notice and amendment to this agreement, designates a specific broker/dealer(s). If the Fund directs the Manager to execute transactions through a specific broker(s) (as provided to Manager in writing), the Manager shall not be liable for any loss by reason thereof. The Board will establish an annual goal as to the percentage of brokerage that should be placed with Minority, Female or Disabled Owned Business, as those terms are defined in the Illinois Business Enterprise for Minorities, Female and Persons with Disabilities Act, especially in the State of Illinois, subject to providing the Fund with best price and execution of the trade. The Fund will notify Manager, in writing, on an annual basis as to the Fund’s numerical or percentage goal for broker/dealer utilization for that year (the “Annual Utilization Goal”). Manager acknowledges the Fund’s commitment to the utilization of Minority, Female and Disabled or percentage goal for broker/dealer utilization for that year (the “Annual Utilization Goal”). Manager acknowledges the Fund’s commitment to the utilization of Minority, Female and Disabled Owned Business broker/dealers and will make good faith efforts, subject to its obligation to seek to obtain best price and execution and consistent with the provisions of this Agreement, to meet or exceed the Annual Utilization Goal to the greatest extent feasible within the bounds of financial and fiduciary prudence. Manager will provide evidence to the Fund, upon request, as to the efforts undertaken by Manager to meet the Annual Utilization Goal. In placing orders with broker/dealers, the Manager will seek to obtain total costs and proceeds that are most favorable to the Fund in every transaction, as well as consideration of the overall quality and reliability of the broker/dealers, including their general execution capability, reliability and integrity, willingness to take positions in securities, general operational capabilities and financial condition. Manager shall maintain, and make available to Fund on a quarterly basis, a log of all transactions placed through all securities brokerage firms, which log shall reflect the name of the firm, whether the firm is a Minority, Female or Disabled Owned Business, a description of each transaction (including the amount and securities involved), the date of each transaction and the amount of fees and commissions paid.

6.2 Communication with Custodian; Affiliated Broker-Dealers. All instructions or directions of the Fund delivered by the Manager to the Custodian shall, unless otherwise agreed by the Manager and the Custodian, be delivered in writing or if delivered orally shall be confirmed in writing as soon as practicable thereafter. The Manager shall instruct all broker-

dealers or other persons executing orders on behalf of the Fund to forward to the Custodian copies of all brokerage or dealer confirmations promptly after execution of all transactions. Notwithstanding the foregoing, the Manager agrees not to effect any transactions with an affiliated broker-dealer.

6.3 Trade Confirmation and Settlement. The Manager is authorized on behalf of the Fund to enter into an agreement with the Custodian to use the Depository Trust Company's Institutional Delivery System for trade confirmation and settlement.

7. Investment of Cash Balances. Notwithstanding the foregoing, the Custodian, without obtaining prior approval or direction from the Fund or the Manager, shall have the power, right and duty to invest uninvested cash balances held by it in the Portfolio from time-to-time in short term cash equivalents having ready marketability and a maturity not exceeding one year, including, but not limited to: (a) U.S. Treasury Bills; (b) high quality commercial paper (including such forms of commercial paper as may be available through the Custodian's Trust Department); (c) certificates of deposit in commercial banks (i) organized and operated in the United States, (ii) with assets of at least \$1 billion, (iii) which are members of the FDIC, and (iv) having a minimum debt rating of AA from Standard & Poor's Corporation; (d) any appropriate common, commingled or collective short term investment fund maintained by the Custodian for this purpose; and (e) securities of a similar type and quality as those described in (a) through (e), inclusive. The Custodian also may sell such short term investments as may be necessary to carry out the instructions of the Manager or the Fund regarding the Portfolio. Manager shall have no obligation or duty to supervise, approve or review investment by the Custodian pursuant to this Section 7.

8. Power, Rights and, Duties of the Fund. The Board represents that it has the power and authority to enter into this Agreement on behalf of the Fund and that it shall (a) notify the Custodian of the appointment of the Manager as an investment manager by delivering a copy of this agreement to the Custodian; (b) cause the Manager to be compensated in such amounts as may be agreed upon from time to time between the Manager and the Fund for the Manager's services under this Agreement; and (c) endeavor to promptly provide to the Manager a copy of any material amendment or modification of the Statement of Investment Policy that impacts the Manager and/or the Portfolio. The Manager shall not be charged with notice of any change in the Statement of Investment Policy until such written notice is delivered to the Manager in the manner specified in the Section of this Agreement concerning notice. The Manager may rely upon the written direction or approval of the President and/or Secretary of the Board, the Chief Investment Officer or any officer of the Board designated by the President of the Board or the Chief Investment Officer of the Fund, as certification and conclusive evidence of the fact that the direction or approval represents the act and decision of the Board.

9. Proxies. The Manager shall oversee and ensure that it will vote all proxies in accordance with the terms of this Agreement and any voting guidelines contained in the Statement of Investment Policy, unless otherwise notified in writing by Fund. Upon the request of the Fund, the Manager will report to the Fund the proxies voted in respect of the Fund.

10. Compensation. For the services provided by the Manager pursuant to this Agreement, the Fund will pay to the Manager as full compensation therefore, an annual fee computed in accordance with the Schedule of Fees attached hereto as **Exhibit B**. Such fee shall be paid quarterly in arrears, prorated for any partial periods and for any increases or decreases in the size of the Portfolio. The value of the Portfolio upon which the fee is computed shall be the average monthly fair market value as determined by the Custodian. Manager represents that no other client obtained subsequent to the Fund will be charged a lower fee for managing substantially the same amount of assets in substantially the same manner. For so long as this Agreement remains effective, with or without amendment, Manager agrees to promptly notify the Fund of any fee agreement or arrangement between Manager and any of its clients that contains terms more favorable than those set forth in the then current compensation agreement with the Fund. The Fund shall automatically receive the benefit of any such more favorable terms at its option.

11. No Assignment or Delegation. Neither party may assign this Agreement, in whole or in part, nor delegate, except as contemplated herein, any part or all of the performance of its duties hereunder without the prior written consent of the other party, and any attempted assignment or delegation without such consent shall be void.

12. Termination. The Fund may terminate this Agreement at any time effective upon the date specified in a written notice delivered to the Manager and the Custodian; provided that, the Fund may at any time orally terminate the Manager's authority to conduct activity and effect investments in or for the Portfolio, subject to the Manager's ability to complete execution of directions or instructions already acted upon. The Manager may terminate this Agreement by written notice delivered to the Custodian and the Fund at least thirty (30) days in advance of the date on which such termination is to become effective. The compensation due the Manager for its services under this Agreement shall be prorated to the date of termination.

13. Standard of Care.

13.1 Prudence. The Manager shall discharge its duties hereunder 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 like character and with like aims.

13.2 Diversification. The Manager shall diversify the Portfolio's assets so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so. In diversifying the Portfolio assets, Manager shall have no obligation or duty to consider any other assets of the Fund in making its determination as to diversification.

13.3 In Interest of Beneficiaries. The Manager shall discharge its duties hereunder with respect to the Fund assets consistent with the Statement of Investment Policy and Investment Guidelines.

13.4 Prohibited Transactions. The Manager shall not engage in any transaction involving Fund assets that would constitute a non-exempt prohibited transaction under Section 1-110 of the Illinois Pension Code, unless the Fund has provided written approval therefor.

13.5 Unrelated Business Taxable Income. The Manager shall use best efforts not to make investments that would generate unrelated business taxable income for an entity that is exempt under Section 501(a) of the Internal Revenue Code, unless the Fund has provided written approval therefor.

14. Indemnification. The Manager will indemnify and hold harmless the Fund, its officers, board members, participants, beneficiaries, employees and agents, and their respective successors and assigns, against any cause of action, loss, liability, damage, cost or expense of any nature whatsoever, whether accrued, absolute, contingent or otherwise, including, without limitation, attorney's fees and costs (whether or not suit is brought), arising out of or relating to the Manager's material breach of any of the Manager's representations, warranties or covenants in this Agreement, any negligent act or omission committed by the Manager in the course of its investment management service hereunder, or any material misrepresentation made by the Manager during the course of its investment management service hereunder. It is understood and agreed that the Manager, in the maintenance of its records, does not assume responsibility for the accuracy of information furnished by the Fund. The presence of exculpatory language in this Agreement shall not be deemed by the Fund, the Manager, or any other party appointed pursuant to this Agreement, including without limitation, the Custodian, or any successor custodian, as in any way limiting causes of action and remedies which may, notwithstanding such language, be available to the Fund either under common law or statutory law principles applicable to fiduciary relationships or under the federal securities laws.

15. Non-Exclusivity. The Board acknowledges that the Manager renders investment management services for clients other than the Fund. The Manager is under no obligation to recommend for purchase or sale by or for the Portfolio any security or other investment which the Manager may purchase or sell for (i) itself (ii) an Affiliate, or (iii) another client. The Fund further acknowledges that transactions in a specific investment may not take place for all of the Manager's clients' accounts either simultaneously or at the same price. The performance of such services for others by Manager and its officers shall not violate the terms of this Agreement in any way.

16. Confidentiality; Publicity. The Manager agrees that any information received by the Manager during the performance by the Manager under this Agreement will be treated by the Manager in full confidence and will not be revealed to any other persons, firms, or organizations except as may be required by any law, rule or regulation to which the Manager is subject or to comply with any lawful order of any court or governmental jurisdiction; provided that, prior to making any such disclosure the Manager shall give written notice thereof to the Fund. The Manager further agrees not to use such information in any manner other than in furtherance of this Agreement. Any and all inquiries concerning this Agreement shall be directed to the Chief Investment Officer of the Fund.

17. Notices. Notices hereunder shall be in writing. Any notice shall be considered given on (a) the date of service if served personally on the party to whom notice is to be given by commercial messenger delivery service with signature verification of delivery or by other verified means of personal delivery, (b) the next business day following the date sent by Federal Express or a similar unaffiliated, overnight courier service, (c) the third business day following deposit in the United States mail, postage prepaid, first class mail, certified or regular mail, return receipt requested, or (d) on the date transmitted by facsimile or electronic means, provided (i) confirmation of transmission to the designated facsimile number or to the appropriate electronic address, as applicable, is generated and (ii) a duplicate copy of such notice is also delivered via personal delivery, courier service or mail within five (5) business days of transmission by facsimile. Notices shall be addressed as follows:

(i) If to the Fund or the Board, to:

Firemen's Annuity and Benefit Fund of Chicago
20 South Clark, Suite 1400
Chicago, Illinois 60602
Attention: Michael Moran, Chief Investment Officer
Facsimile: 312.726.2316
Email: mikmor13@aol.com

(ii) If to Manager, to:

(Investment Advisor)

Attention:
Facsimile:
Email:

(iii) If to the Custodian, to:

Northern Trust Company
50 S. LaSalle Street
Chicago, Illinois 60675
Attention:
Facsimile:
Email:

or such other addresses as may be designated by the appropriate party in a written notice to the other party complying, as to deliver, with the terms of this Section.

18. Miscellaneous.

18.1 Headings. Section headings contained in this Agreement are included for convenience only and form no part of the agreement between the parties.

18.2 Entire Agreement; Binding Effect; Conflict. This Agreement, the Statement of Investment Policy and the reports and documents to be delivered pursuant hereto or thereto constitute the entire agreement between the parties with respect to the subject matter hereof and shall be binding upon and inure to the benefit of the parties hereto and their respective legal representatives, successors and permitted assigns. Each exhibit attached hereto shall be considered incorporated into this Agreement. To the extent that any term and/or provision of the Statement of Investment Policy conflicts with any term and/or provision of this Agreement, the terms and provisions of this Agreement shall control.

18.3 Gender; Singular and Plural. Whenever the context requires in this Agreement, the masculine gender includes the feminine or neuter, the neuter gender includes the masculine or feminine, the singular number includes the plural, and the plural number includes the singular. In every place where it is used in this Agreement, the word “including” is intended and shall be construed to mean “including, without limitation.”

18.4 Survival. The provisions of this Agreement shall survive termination, including, without limitation, the provisions set forth in Sections 4 (Representations, Warranties and Covenants of the Manager), 11 (No Assignment or Delegation), 12 (Termination), 13 (Standard of Care), 14 (Indemnification), 16 (Confidentiality; Publicity), 17 (Notice) and 18 (Miscellaneous) of this Agreement.

18.5 Modification and Amendment. This Agreement may not be modified or amended except by the mutual written agreement of the Fund and the Manager; provided that, notwithstanding the foregoing, the Fund may unilaterally modify or amend the Statement of Investment Policy and subsequently provide notice thereof to the Manager as soon as practicable. Upon delivery of notice of any such modification or amendment to the Statement of Investment Policy to the Manager, **Exhibit A** shall thereby be updated to reflect and incorporate any such modification or amendment.

18.6 Governing Law; Jurisdiction. The terms and provisions of this Agreement shall be construed and governed in accordance with the laws of the State of Illinois, without regard to conflict of laws principles, to the extent that such laws are not preempted by the laws of the United States of America. Venue for any litigation relating to this Agreement is agreed to be the Illinois Circuit Court of Cook County, Cook County, Illinois or the U.S. District Court for the Northern District of Illinois, located at Chicago, Illinois.

18.7 Maintenance of Records; Examination and Audit. The Manager shall maintain, during the term of this Agreement and for a minimum of five (5) years thereafter, adequate books, records and supporting documents to verify the amounts, recipients, and uses of all disbursements of funds passing in conjunction with this Agreement. This Agreement and all books, records and supporting documents related to this Agreement shall be available for review, examination and audit by any person designated by the Fund upon reasonable notice and during regular business hours. The Manager agrees to cooperate fully with any audit conducted by any governmental agency and to provide full access to all relevant materials. Failure to maintain the

books, records and supporting documents required by this Section shall establish a presumption in favor of the Fund for the recovery of any funds paid by the Fund under this Agreement for which adequate books, records, and supporting documentation are not available to support their purported disbursement.

18.8 Counterparts. This Agreement may be executed in any number of separate counterparts, each of which shall be deemed an original, but the several counterparts shall together constitute but one and the same Agreement of the parties hereto.

IN WITNESS WHEREOF, the Fund and the Manager have caused this Agreement to be signed on their behalf by their duly authorized representatives, as of the day and year first above written.

THE FIREMEN'S ANNUITY AND BENEFIT
FUND OF CHICAGO

By: _____
Name:
Title: President

By: _____
Name:
Title: Secretary

(Investment Advisor)

By: _____
Name:
Title:

EXHIBIT A

[A copy of the Statement of Investment Policy has been provided to Investment Manager under separate cover]

EXHIBIT B

Portfolio Investment Guidelines/Mandates, Initial Amount of Assets to Be Invested and Fee Schedule

- A. Active Foreign Currency
- B. Estimated Initial Value of Portfolio: To Be Determined
- C. Annual Fee:

The fee for the Manager's services under this Agreement shall be an amount calculated based upon the average of the 3 month-end market values, as determined by the Custodian, for the months comprising the quarterly invoice. The fee shall be prorated accordingly for time periods less than a full quarter and increased or decreased as mutually agreed to, to reflect material asset additions to or asset removals from the Portfolio during a calendar quarter. The market value of shares, if any, of the Manager or any of its affiliates shall be excluded from the determination of market value of the assets in the Portfolio for purposes of calculating the fee.

EXHIBIT C

[Disclosures required by Section 4.1(f)]

- (i) Entity that is a parent of, or owns a controlling interest in, (Investment Advisor)
- (ii) Entity that is a subsidiary of, or in which a controlling interest is owned by, (Investment Advisor)
- (iii) Persons who have an ownership or distributive income share in (Investment Advisor) that is in excess of 7.5%
- (iv) Persons that serve as an executive officer of (Investment Advisor)