



## 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 an investment advisor from qualified investment advisors ("Respondent(s)" or "Advisor(s)") to manage the following investment mandate in a fiduciary capacity to the Fund:

**Open End, Core Commingled Real Estate Fund. The approximate mandate will be \$34 million, representing a 4.0% target allocation of the total Fund. The mandate will be benchmarked to the NCREIF Open End Diversified Core Equity Index.**

A qualifying investment advisor must be a registered investment advisor under the Investment Advisors Act of 1940, or a bank or insurance company similarly registered. Investment advisors must also certify the responding firm meets the minimum guidelines presented in Section 2 of this SIA. Once selected, the Retirement Board (the "Board") requires that each investment advisor provide, in writing within a negotiated side letter, acknowledgment of fiduciary responsibility to the Fund as required in the Illinois Pension Code.

It is the public policy of the State of Illinois to encourage the Fund's Board of Trustees to increase the racial, ethnic, and gender diversity of its fiduciaries to the greatest extent feasible within the bounds of financial and fiduciary prudence. In furtherance of the Illinois public policy and the requirements of the Illinois Pension Code, it is the goal of the Board of Trustees to use its best efforts to increase the racial, ethnic, and gender diversity of its fiduciaries, including its external investment managers and consultants (4 ILCS 5/1-109.1). Consistent with that effort, the Board will consider a broad range of candidates and actively consider minority, female and disabled person-owned business enterprises (MWDBE) that also have the required capabilities for this SIA.

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

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. Advisors may be asked to make formal presentations of their proposals to the investment staff, Investment Committee and/or the Board. Selection of the investment advisor is subject to final approval by the Board.

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

## 1.2 TIMELINE FOR AWARD OF MANDATE

<b>Date of Issue</b>	December 19, 2018
<b>Deadline for SIA Questions</b>	January 11, 2019 (Noon CDT)
<b>Q&amp;A Document posted to Fund’s website</b>	January 16, 2019
<b>SIA Submission Due Date</b>	February 1, 2019 (3:00 PM, CDT)
<b>Finalist Presentation</b>	March/April 2019
<b>Selection of Advisor</b>	March/April 2019
<b>Tentative Funding Date</b>	TBD

This timeline may be subject to revision. Any changes to the timeline will be communicated to all known Respondents and posted on the Fund’s website.

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

### **QUIET PERIOD**

A Quiet Period will be in effect during the entire SIA process. The Quiet Period is the period of time beginning when the Board approves the issuance of the SIA and ends after successful contract negotiations with the selected Advisor approved by the Board. 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 Board 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 Respondent, the Board member shall refer the Respondent to Fund’s consultant, Callan LLC (“Callan”).

The Board 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 SIA, as directed by the Board or 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 Respondent 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 Board or staff is strictly prohibited and may result in immediate disqualification.

### 1.3 INQUIRIES

**Verbal inquiries from Respondents will not be accepted. All questions pertaining to this SIA should only be submitted via email to: [ChicagoFireSearches@callan.com](mailto:ChicagoFireSearches@callan.com) and [CIO@fabf.org](mailto:CIO@fabf.org)**

**All inquiries must be received no later than January 11, 2019. Generalized responses to inquiries will be posted to the Fund's website no later than January 16, 2019.**

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

### 1.4 SUBMISSION OF PROPOSAL

Callan shall oversee the SIA process in conjunction with the Fund's investment staff. Respondents interested in submitting a proposal must submit their responses in accordance with the proposal submissions instructions below. 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.

All proposals must be complete in every respect and must answer clearly and concisely all questions presented in this SIA. 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 Callan and Fund's investment staff as indicated below. Both hard copy presentations and email versions must be received by 3:00 PM, CDT, February 1, 2019.**

**Hard copy submissions must be addressed and delivered to:**

Callan LLC

Attn: Brady O'Connell- Chicago Fire SIA - Core Real Estate

120 N. LaSalle Street

Suite 2400

Chicago, IL 60602

**Email versions should be sent to [ChicagoFireSearches@callan.com](mailto:ChicagoFireSearches@callan.com) and [CIO@fabf.org](mailto:CIO@fabf.org)**

### 1.5 DISCLOSURE OF SUBMITTED PROPOSALS

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

## 1.6 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.

## *SECTION 2 – MINIMUM REQUIREMENTS*

In order to be considered for selection, the Respondent must provide documented proof via a completed Statement of Certification (see Section 5) that the following minimum qualifications listed below are met:

1. Respondent is an investment adviser registered with the Securities and Exchange Commission (SEC) pursuant to the Investment Advisors Act of 1940 or a bank or insurance company similarly registered.
2. Respondent must have a documented, current and verifiable three-year track record for managing and open-end, core, commingled real estate fund.
3. The Firemen's Annuity & Benefit Fund of Chicago's investment mandate must not represent more than 20% of the Respondent's total firm assets or 20% of the proposed strategy total assets.
4. Respondent and its personnel have all authorizations, permits, licenses and certifications required by federal, state and/or local law.
5. Respondent will carry errors and omissions insurance or comparable instruments to cover negligent acts or omissions.
6. Respondent must provide three years of the proposed real estate fund's audited financial statements.
7. Respondent 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. Respondent must have a company policy and practice of equal employment opportunity and non-discrimination based on race, creed and/or gender.
9. Respondent must comply with the Fund's Ethics Policy (Attachment 1) and the Fund's Statement of Investment Policy (Attachment 2)
10. Respondent must also have their information in the Callan database ([https://questionnaire.callan.com/sign\\_in/?ReturnUrl=%2f](https://questionnaire.callan.com/sign_in/?ReturnUrl=%2f)), in addition to submitting this SIA. This website includes a demographic section for organizational information as well as detailed product information sections. All sections must be completed.
11. Selected Advisor shall provide monthly, quarterly, and annual performance reports and portfolio valuations to the Fund and Callan.
12. Selected Advisor will document all investment transactions with the Fund's master custodian in accordance with the usual and customary standards of practice and confirm all executed transactions from custodial account records; the Fund's current master custodian is Northern Trust.

## SECTION 3 – SELECTION AND EVALUATION PROCESS

### 3.1 – CANDIDATE REVIEW PROCESS

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

Fund Trustees, investment staff and consultant members may interview all, some, or none of the 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 or Board during a public meeting of the Investment Committee or Board, including at least one qualified MWDBE respondent, if appropriate.

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

The Fund reserves the right to award this mandate to the Advisor which, in its sole opinion, will provide the best match to the requirements of the SIA, to reject any Respondents due to noncompliance with the requirements and instructions in the SIA and not to hire or defer the hiring of an Advisor 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 September 30, 2018

**To gain access to Callan’s Manager Database  
please visit** ([https://questionnaire.callan.com/sign\\_in/?ReturnUrl=%2f](https://questionnaire.callan.com/sign_in/?ReturnUrl=%2f))

**OR**

**Send an email directly to [database@callan.com](mailto: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.

## 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. Total invested assets held by the Fund at the end of the third quarter of 2018 were \$897 million. The Fund's target allocation, as of June 30, 2018, is as follows:

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

### *SECTION 5 –SEARCH for INVESTMENT ADVISOR 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 Advisor investment research and/or marketing materials should not be used. Submission of such material may disqualify the Respondent from further consideration.

#### 5.2 PRESENTATION FORMAT:

The Statement of Certification included in this SIA must be displayed ahead of the Advisor'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 1

**STATEMENT OF CERTIFICATION**

By submitting this Search for Investment Advisor Questionnaire, (Advisor 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 or a bank or insurance company similarly registered.

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

The product submitted for review has a documented, current 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 or responding to this SIA have been paid by the Investment Advisor.

All requested firm information has been submitted to Callan's database ([https://questionnaire.callan.com/sign\\_in/?ReturnUrl=%2f](https://questionnaire.callan.com/sign_in/?ReturnUrl=%2f))

The firm understands and will comply with the Fund's Quiet Period, defined in section 1.2 of the SIA.

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

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

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

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

_____ Signature	_____ Name
_____ Date	_____ Title

Section 2

***SEARCH for INVESTMENT ADVISOR QUESTIONNAIRE***  
**CORE COMMINGLED OPEN END REAL ESTATE**

**Respondents are required to provide a presentation booklet in .pdf format that, at a minimum, contains the following information:**

**1. Organizational Information (as of September 30, 2018)**

- EEOC Chart
- Firm Inception Date
- Ownership Structure
- All Related And Affiliated Firms
- Organizational Chart, With Brief Biographies Of All Key Personnel
- Firm Succession Plans
- Firm Compensation Philosophy
- Number Of Institutional Clients and Summary by Investor Type (E&F, corporate, public, etc)
- 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, since inception or last 10 years
- 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
- Documents: Compliance Policy/Table of Contents, Code of Ethics/Table of Contents, Disaster Recovery Plan
- Cybersecurity (include policy, testing, breaches, etc)

**2. Investment Team and Strategy Information**

- Name of Strategy Within Callan Database
- Investment Philosophy
- Fund Investment Strategy
- Target IRR (gross and net)
- Investment Team Structure and Investment Vetting Process (sourcing, due diligence, committee decisions)
- Value Creation Process (how fund creates value)
- Target deal size (equity value and gross value)
- Current number of investments in Fund
- Investment hold period
- Use of Leverage
- Property types in Fund and historical allocation (since inception or last 10 years)
- Geographical Focus of Fund and historical allocations (since inception or last 10 years)
- Risk mitigation strategies
- Investment Restrictions

- Details of competing funds/separate accounts at Firm that target similar assets (include names, AUM, unfunded, allocation policy, etc)
- Number of investors
- Current Fund Queue (s), entrance and exit; please comment on historical queues
- Historical Risk/Return Characteristics
- Portfolio Construction Methodology
- Valuation Policy
- Role and Composition of Advisory Board
- List, Role, and Compensation of Third Party Service Providers

### **3. Fee Information**

- Proposed Management Fees and Breakpoints
- Description of All Fund Fees and Percentage
- Available Vehicle Types including Legal Structure

### **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 Adviser in connection with the provisions of Investment Services to the Fund;
- b. The names and addresses of: the Adviser; any entity that is a parent of, or owns a controlling interest in, the Adviser; any entity that is a subsidiary of, or in which a controlling interest is owned by the Adviser; any persons who have an ownership or distributive income share in the Adviser that is in excess of 7.5%; or serves as an executive officer of the Adviser; and
- c. The names and addresses of all subcontractors, if any, and the expected amount of money each will receive under the contract. For purposes of this subsection, "subcontractor" does not include non-investment related professionals or professionals offering services that are not directly related to the investment of assets, such as legal counsel, actuary, proxy voting services, services used to track compliance with legal standards, and investment fund of funds where the Board has no direct contractual relationship with the investment advisers or partnerships.
- d. Statement that the proposal is being made without fraud or collusion; that the Respondent has not offered/received any finder's fees, inducements or any other forms of remuneration, monetary or non-monetary, to/from any individual or entity relating to the RFP, the Respondent's proposal or the Fund's selection.

- e. Statement that discloses any current business relationship or any current negotiations for prospective business with the Fund, the Fund’s Executive Director, the Fund’s Investment Staff, or any member of the Board. (See [www.fabf.org](http://www.fabf.org) for contacts).
  
- f. Public Act 98-1022 amends the Illinois Pension Code to require certain disclosures regarding utilization of minorities, females and persons with a disability. The terms “minority owned business,” “female owned business”, and “business owned by a person with a disability” are as defined in the Business Enterprise for Minorities, Females and Persons with Disabilities Act. In accordance with the Act, all vendors submitting bidding proposals the Fund must disclosure the following numerical data:
  - 1. The number of the vendor’s investment and senior staff and the percentage of its investment and senior staff who are a (i) minority person, (ii) female, or (iii) person with a disability;
  - 2. The number of contracts, oral or written, that the vendor has in place for investment services, consulting services, and professional and artistic services that constitute a (i) minority owned business, (ii) female owned business, or (iii) business owned by a person with a disability; and
  - 3. The number of contracts, oral or written, that the vendor has in place for investment services, consulting services, and professional and artistic services where more than 50% of services performed pursuant to a contract are performed by a (i) minority person, (ii) female, or (iii) person with a disability but do not constitute a business owned by a minority, female or person with a disability.

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

## *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.

***Attachments to this Search for Investment Advisor:***

1. FABF Ethics Policy
2. FABF Statement of Investment Policy
3. FABF sample Side Letter

## Attachment 1

### *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 adviser 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.

## **Attachment 2**

### **THE RETIREMENT BOARD OF THE FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO**

#### **- SECTION I - STATEMENT OF INVESTMENT POLICY**

##### **INTRODUCTION**

The Firemen's Annuity and Benefit Fund of Chicago, Illinois (the "Fund") is subject to the provisions of Chapter 40, Act 5, Article 1 and Article 6 of the Illinois Compiled Statutes (the "Code"), as amended from time to time. The Fund is directed by the Retirement Board (the "Board"), consisting of eight appointed and elected Trustees.

The Fund is established to provide for the present and future benefit payments for all retired and active firefighter participants and their beneficiaries as authorized under the Code.

The duties of the Trustees, approved delegations to Investment Managers and other fiduciaries, prohibited transactions, and liability for breach of fiduciary duties are set forth in Article 1 of the Code. Fiduciaries must read and abide by these provisions.

##### **RESPONSIBILITIES OF THE RETIREMENT BOARD**

The Board is charged by law with responsibility for the management of the Fund. The Board and its members shall discharge their duties solely in the interest of the Fund, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent person, acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims. The responsibilities of the Board relating to the investment management of Fund assets include:

1. Establishing reasonable and consistent investment objectives, policies and guidelines governing the investment of Fund assets.
2. Selecting qualified investment professionals, including Investment Manager(s), Investment Consultant(s), and Custodian(s).
3. Determining the Fund's liquidity requirements, investment horizon and risk tolerance and communicating these to the appropriate parties.
4. Evaluating the performance of Investment Manager(s) and other qualified investment professionals to assure adherence to policy guidelines and to monitor investment objective progress.
5. Acknowledge annually, via written signature, compliance with the Fund's Code of Ethics and Conflict of Interest policies.
6. Filing the requisite reports required by the Code with the Illinois General Assembly and related entities.

## SCOPE AND PURPOSE OF INVESTMENT POLICY

### Scope

This Statement of Investment Policy reflects the investment policy, objectives, and constraints of the Firemen's Annuity and Benefit Fund of Chicago.

### Purpose

This Statement of Investment Policy is set forth by the Board of the Fund in order to:

1. Define and assign the responsibilities of all involved parties;
2. Establish a clear understanding for all parties of the investment goals and objectives of Fund assets;
3. Establish a basis for evaluating investment results;
4. Establish a framework for further review and revision of this policy.

## DUTIES OF FIDUCIARIES

Each member of the Board of the Fund is a fiduciary, and is responsible for the management of Fund assets. As such, the Trustees are authorized to retain professional experts including but not limited to:

**1. Investment Consultant(s):** The Investment Consultant(s) is an advisor to the Board retained to provide investment management advice and act as a fiduciary for the purposes of the duties assumed under the Consulting Services Agreement. The Investment Consultant(s) will provide investment management advice concerning the investment management of Fund assets. Specific responsibilities of the Investment Consultant include, but are not limited to:

- A. Assist in the development and on-going review and maintenance of the investment policy, goals, objectives and portfolio asset allocation.
- B. Conduct Investment Manager searches as authorized by the Investment Committee. As a matter of Trustees' policy, the Fund's Investment Consultant is directed to actively seek qualified Emerging Investment Managers whenever conducting a search for Investment Managers. Pursuant to Section 1-109.1. of the Pension Code, it is the public policy of the State of Illinois to encourage the trustees of public employee retirement systems to use qualified Emerging Investment Managers in managing assets of their respective plans to the greatest extent feasible within the bounds of financial and fiduciary prudence. The Investment Consultant, in conjunction with Fund Investment staff, will conduct the investment manager search and coordinate and communicate directly with the investment managers, pursuant to the Fund's Procurement Policy, adopted June 1, 2009.
- C. Provide research and/or due diligence reports on each of the Fund's investment managers. Evaluate investment manager performance in terms of effective implementation of investment strategy, actual performance versus established return and risk benchmarks, organizational stability, adherence to the investment contract and compliance with investment guidelines and restrictions.

- D. Measure and monitor the performance and risk of the investment managers. Prepare and present quarterly summaries of investment manager activities and performance. Calculate investment performance (gross and net of fees) and risk measurements at the total fund, asset class, investment style, and manager levels. Reconcile discrepancies in performance returns calculated by the investment manager, Fund custodian and Investment Consultant.
- E. Communicate advice on matters of policy, manager research, manager performance and capital market conditions to the Investment Committee and Investment staff.
- F. Review Fund investment history, historical capital markets' performance and the contents of the Statement of Investment Policy with all Trustees, as necessary.
- G. Provide continuing asset/liability allocation review and specific recommendations.
- H. Communicate with all investment related professionals retained by the Fund as required or prudent. This shall include, but is not limited to, notifying investment managers of “watch list” status, changes to the investment guidelines, and requested appearances before the Investment Committee.
- I. Attend the following meetings:
  - 1. monthly Investment Committee meeting,
  - 2. biennial Investment Manager Symposium,
  - 3. presentations by current or prospective investment managers,
  - 4. staff planning sessions, as necessary,
  - 5. other occasions, as necessary.
- J. Other duties or services as can be reasonably requested of an Investment Consultant.

2. **Discretionary Investment Managers:** The Board at its discretion may contract with Investment Managers based on an evaluation of their investment philosophy, performance and ability to complement existing portfolio styles.

Each specific manager must manage Fund assets according to their stated investment discipline as stated in the guidelines and in accordance with their specific written agreement with the Board. No deviation from this discipline is authorized unless first discussed with the Board and its Investment Consultant, and written approval issued.

Investment Managers are granted discretionary authority to manage stated assets for the Board. This Statement of Investment Policy communicates policies regarding the current asset allocation strategies for the Fund and the duties and obligations of Investment Managers. Each Investment Manager will have full discretion, within the confines of its stated investment discipline, to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Statement, and in each manager’s specific investment guidelines, including applicable addenda. Specific responsibilities of the Investment Managers include:

- A. Discretionary investment authority including decisions to buy, sell, or hold individual securities within the guidelines established in this Statement and applicable to the investment manager.

- B. The timely communication of any significant changes regarding economic outlook, investment strategy, or any other factors which may have an impact upon the achievement of the Fund's investment objectives.
  - C. Informing the Board regarding changes within the investment management organization within ten (10) business days of such change(s). Examples include but are not limited to: changes in portfolio management personnel, ownership structure, and/or investment philosophy.
  - D. Voting proxies - Each Investment Manager has discretion to vote all proxies for securities held for the Fund, so long as in the Manager's belief the result of the ballot would serve to increase the value of the investment or otherwise benefit the Fund. Allowable exceptions to this voting policy include proxy votes on issues the Trustees have reserved the right to review or any other issue as directed by the Trustees.
  - E. Timely Reporting of Investment Activities - Each Investment Manager shall provide reports to the Board as outlined in Section VIII.
3. **Custodian(s):** The Custodian(s) will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect dividend and interest payments, redeem maturing securities, and effect receipt and delivery following purchases and sales. The Custodian(s) will perform regular accounting of all assets owned, purchased, or sold, as well as monitor the movement of assets into and out of the Fund accounts. The Custodian(s) may also perform additional contracted services including but not limited to securities lending, portfolio analysis, performance reporting and computer accessible reporting.
4. **Additional Professionals:** Additional professionals, including but not limited to attorneys, actuaries and auditors may be retained by the Board as necessary to assist toward the prudent administration of the Fund.

## INVESTMENT CONTRACTS

Contracts are an integral part of the selection of investment professionals and, therefore, guidelines apply to the selection of outside investment professionals.

With respect to all investment relationships, it is the responsibility of the Fund attorney and staff to review and document written agreements with all Investment Managers. The Fund utilizes a uniform Investment Management Agreement that all Investment Managers will be expected to execute and deliver as a condition precedent to funding. Staff will assist in the review of all contracts and negotiate fees on all investment advisor relationships, subject in most cases to the results of the competitive selection process.

Investment Managers shall affirm within their investment contract that they are fiduciaries with respect to the Fund. Investment Managers shall also acknowledge and comply with the Fund's Code of Ethics and brokerage policy.

The Investment Consultant(s) contract shall limit compensation to hard dollars (cash) for all services rendered. No other form of compensation, including any type of soft dollar arrangements shall be

permitted. The Investment Consultant(s) shall affirm that they act as a fiduciary of the Fund with respect to the investment advice given.

The Board and staff shall review all investment relationships on a regular basis. The Investment Consultant(s) shall be reviewed and a request for proposals (“RFPs”) issued in accordance with the Fund’s procurement policy will be conducted at least every five years. A review may be conducted sooner if deemed necessary. Renewal of the Investment Consulting contract without a formal RFP and search process is prohibited.

**- SECTION II - INVESTMENT GOALS  
AND OBJECTIVES**

The purpose of the Fund establishing an investment policy is to obtain the highest return possible on Fund investments within corresponding acceptable levels of investment risk and liquidity requirements, in recognition of prudent person standards and in compliance with the Illinois Statutes governing the operation and activities of the Fund.

**FUNDING LEVELS, LIQUIDITY REQUIREMENTS AND  
ASSET ALLOCATION CONSIDERATIONS**

Due to the actuarial underfunding of Fund liabilities, the investment strategy of the Fund must emphasize the greater need for longer term growth of capital while fulfilling the immediate liquidity requirements of the Fund's benefit payout.

To maximize the potential gain on assets, the Fund has decided to maintain a fully invested position in accordance with the established target asset allocation. The Fund believes that liquidity requirements may be met by active investment managers while minimizing the possibility of capital losses due to the forced sale of a security to meet a required payment by following an appropriate monthly rebalancing procedure.

**TARGET ALLOCATIONS**

The Board has determined that the following asset allocation policy is currently appropriate for the Fund. This asset allocation policy will be reviewed periodically and may be modified, if appropriate, in light of changes in the structure or goals of the Fund. The Board will review asset allocation strategy upon any meaningful change in projected contributions into the Fund. The following asset allocations are meant to apply to the actual realized asset class allocations as opposed to the allocations among manager types.

The Fund's asset allocation shall be reviewed in no longer than four year intervals. Asset allocation may be reviewed more frequently, or deferred, as determined by a majority vote of the Board. Changes to the asset allocation policy, whether temporary or permanent, require a majority vote of the Board.

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

<u>Equity</u>	<u>Target</u>	<u>Minimum</u>	<u>Maximum</u>
Broad US Equity	35%	31%	39%
<i>Large Cap US Equity</i>	21%	17%	25%
<i>Small/Mid Cap US Equity</i>	14%	10%	18%
Global Ex-US Equity	25%	21%	29%
<i>International Equity</i>	20%	16%	24%
<i>Emerging Markets Equity</i>	5%	1%	9%
Private Equity	4%	0%	8%
<b>Total Equities</b>	<b>64%</b>	<b>60%</b>	<b>68%</b>
<b><u>Real Assets</u></b>			
Commodities	2%	0%	6%
TIPS	2%	0%	6%
Core Real Estate	4%	0%	8%
Global REITs	4%	0%	8%
<b>Total Real Assets</b>	<b>12%</b>	<b>8%</b>	<b>16%</b>
<b><u>Fixed Income</u></b>			
Core Fixed Income	20%	16%	24%
<b>Total Fixed Income</b>	<b>20%</b>	<b>16%</b>	<b>29%</b>
Liquid Diversifying Assets	4%	0%	8%
Cash	0%	0%	5%
<b>Total</b>	<b>100%</b>		

The table that follows illustrates the current benchmarks to be used for each asset class. These benchmarks will be used to evaluate the performance of individual asset classes, and will also be combined based on the target weights, to arrive at a Total Fund Performance Benchmark, or Policy Target.

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

---

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

---

<u>Fixed Income</u>		
Core Fixed Income	Bloomberg Barclays Aggregate Bond Index	
Liquid Diversifying	60% MSCI ACWI / 40% Bloomberg Barclays Gl. Aggregate Bond Index	
Cash	90 Day T-Bills	

---

**Total** **Weighted Average of Asset Class Benchmarks**

### **REBALANCING PROCEDURES**

In order to maintain the established target asset allocation, the Fund has determined that a specific rebalancing procedure is necessary. The Fund has also determined that this procedure should coincide with the liquidity requirements of the Fund so as to limit the amount of required liquidations and associated transaction costs. As the Fund benefit payouts are known with a high level of confidence at least two months in advance, the procedure can be determined fairly accurately. This will allow the Investment Managers to receive ample notice about required liquidations. This process should avoid forcing quick sales or high transaction costs.

The Chief Investment Officer (CIO), or other Fund staff, shall estimate expected cash receipts and disbursements, including current and following month-end benefit payments, to determine the amount of any required liquidation. The CIO shall then analyze the asset allocation, generally seeking to reduce the allocation of the largest or most overweight managers on an absolute basis, present the findings to the Board for approval, and then facilitate the liquidation from as few or as many Investment Managers as necessary in order to fund the benefit payments and Fund expenses. By continually liquidating assets from the most overweight Investment Managers, the Fund will work its way toward the desired target asset allocation, ensuring that it remains at or near the desired target levels.

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

## SECURITIES LENDING

### **Overview**

The Board intends to maintain a securities lending program, as the Board believes it provides a means of enhancing the overall Fund performance. The investment objective for the securities lending program is to generate incremental income within a high quality investment program that safeguards the return of principal, maintains adequate daily liquidity, ensures diversification of the cash collateral portfolio and tightly controls exposure to fluctuating interest rates. The Board will evaluate the income attributable to the program and the risks inherent in the program. The Board expects the investment staff to offer suggestions with respect to any possible improvements in the program, and to monitor the results of the program (e.g., income, costs associated with the program, issues that arise with respect to the program).

The specifics pertaining to any securities lending program shall be detailed in a separate Securities Lending Agreement.

### **Risk Control**

The Custodian and/or securities lending sub-agent is responsible for conducting all appropriate and necessary due diligence on the borrowers and potential borrowers. The name of borrowers and potential borrowers shall be updated and provided to the Board promptly following the end of each calendar quarter

The Custodian and/or securities lending sub-agent is responsible for ensuring that all loans are at least 100% collateralized. Specific requirements for the amount of collateral required for loans on each type of security, as well as the quality and guidelines for investment of such collateral shall be defined in the Securities Lending Agreement.

Securities shall not be loaned in excess of forty percent (40%) of the market value of Fund's assets (not be taken on an individual manager account-by-account basis) under the care of the Custodian, marked to market on a day-to-day but not on an intra-day basis.

Cash collateral shall be invested by the Custodian, and/or its security lending sub-agent pursuant to the Addendum for Securities Lending Cash Collateral Reinvestment.

The Fund shall direct the Investment Manager of the securities to notify the Custodian of any sales by no later than the trade date to permit the Custodian to effect timely return of loaned securities prior to or on the settlement date.

The Custodian, upon notification of default by a borrower, which shall be reported immediately to the Board in writing, the Custodian shall take such actions as are prudent, necessary and appropriate to use the collateral to acquire replacement securities of the exact same type and kind as the securities which were loaned to the borrower. Any inability to acquire such securities shall be reported to the Fund and to the Investment Manager immediately.

### **Monitoring**

The Custodian and/or securities lending sub-agent is responsible for reporting fully on all aspects of the Securities Lending Program, including its operation and returns. The Custodian and/or securities

lending sub-agent shall cooperate fully with all reasonable requests for documents and records made by the Board and/or an independent certified public accountant selected and retained by the Board to audit securities lending activities.

The Fund shall receive a monthly report of the securities on loan, the income received from loans, the Custodian's and sub-agent fees from loans, the composition of collateral, and the investment characteristics of the collateral. In addition to the monthly report, significant events which require additional reporting shall include but not be limited to borrower list changes, failed trades due to securities on loan, and collateral shortfalls.

**- SECTION III -**  
**GUIDELINES FOR ACTIVELY MANAGED FUND ASSETS**

Each Investment Manager within the Fund will be chosen for a specific discipline and will be required to adhere to these general investment guidelines:

1. **Risk Aversion:** Investment Managers are to make reasonable efforts to control risk and will be evaluated regularly to ensure that the return of the portfolio under management is commensurate with the level of risk that is assumed within any given discipline.
2. **Fully invested:** The Board has adopted a long term Asset Allocation Policy and grants Investment Managers discretion over assets within the portfolios they manage. The Board has set specific guidelines concerning the allowable levels of cash that may be maintained in each actively managed portfolio. The Board will closely monitor the use of cash by any manager. If a manager believes that a change in its specific guideline is in the interest of the Fund, the manager should bring this recommendation, in writing, immediately to the attention of the Board. Under conditions of extreme market duress and upon a majority vote of the Board, cash level guidelines may be altered, as is prudent, for defensive purposes.
3. **Portfolio Diversification:** In order to achieve a prudent level of portfolio diversification, the manager's investment guidelines will articulate any constraints regarding concentration of positions by sector and limits that must be adhered to in attempting to exceed the returns of the performance benchmark.
4. **Investment Discipline Objectives:** Each separately managed portfolio will have specific guidelines and objectives established by the Board. Investment Managers are expected to adhere to the investment discipline for which they were hired. Managers will be evaluated for adherence to their stated investment discipline.

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

The goal of each Investment Manager, over the investment horizon, shall be to:

- A. Exceed the market index, or blended market index, selected and agreed upon by the Board and Investment Manager that most closely corresponds to its style of investment management.
- B. Unless otherwise agreed to by the Board and Investment Manager, display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified. Typically, risk will be primarily measured by the standard deviation of returns, secondarily by tracking error.

The Investment Managers are charged with the responsibility of maintaining their portfolios in compliance with the investment guidelines. Under no circumstances shall an Investment Manager take an action which causes the portfolio to be in conflict with the guidelines without prior written consent of the Board. If there is a deviation from the guidelines because of an Investment Manager's action, the manager will be reviewed by the Board at the next meeting following notification of the deviation. If there is a deviation from the guidelines because of a change in the market value of an Investment Manager's portfolio or a particular holding, or a change in quality rating of a particular holding, the Investment Manager shall take action that is prudent and appropriate to the intended purpose of the portfolio. If for any reason a portfolio deviates from the guidelines, the Investment Manager is responsible for reporting the deviation from the guidelines to the Board and its Investment Consultant in writing within 30 days of when the manager should have known the deviation occurred. The Investment Manager is required to give this notice even if they have taken immediate action to correct the deviation. The Investment Manager will explain the deviation from the guidelines and suggest appropriate action. Within 60 days after receiving notification of a deviation from the investment policy guidelines, the Board will respond to the manager's recommendation and will direct appropriate action. Depending upon the severity of the circumstances, the consequences of deviating from the investment policy guidelines could range from an Investment Manager appearing before the Board up to and including the manager's termination.

5. **Brokerage and Execution of Transactions:** Investment Managers with authority over Fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution, in accordance with Section 1-113.20 of the Code.

Additionally, as outlined in *SECTION IV – MINORITY, WOMEN AND DISABLED PERSONS BROKERAGE*, it is the policy of the Fund to utilize Minority, Women and Disabled Persons owned brokerage services, as defined in the Illinois Business Enterprise for Minorities, Women and Persons with Disabilities Act, whenever possible.

6. **Minority, Women and Disabled Persons Business Enterprise Investment Manager Utilization Policy:** In accordance with 40 ILCS 5/1-109.1(4), the Board has set forth the following quantifiable goals for percentage of total assets under management managed by emerging investment managers:

**Goal Range**

A.) By asset class

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

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

**Goal Range**

B.) By ownership classification

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

These goals shall be reviewed annually.

**- SECTION IV -**  
**MINORITY, WOMEN AND DISABLED PERSONS BROKERAGE**

The Board has determined that consistent with the public policy of the State of Illinois, it is the policy objective of the Fund to increase brokerage services provided to the Fund by minority, female and disabled person business enterprises as defined by the Illinois Business Enterprise for Minorities, Females, and Persons with Disabilities Act Women.

Minority, women and disabled person-owned business enterprises (“MWDBE”) are defined as a sole proprietorship, partnership, or corporation owned, operated, and controlled by minority, women and disabled group members who have at least 51% ownership. The defined group member(s) must have day to day operational and managerial control, and an interest in capital and earnings commensurate with his or her percentage of ownership. In addition, the brokerage firm and its operating members must be registered with the appropriate federal and state agencies and must have an established record of business performance through a history of having provided good execution and reporting services.

Subject to the Fund’s policy that Investment Managers with authority over Fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution in respect to placing brokerage consistent with Section 1-113.20 of the Code, the Investment Managers will be expected to use their best efforts to place brokerage business with minority, women and disabled person business enterprise firms as defined.

Each Investment Manager shall submit a quarterly report detailing the use of minority, women and disabled person business enterprise firms and the year to date amounts and type of brokerage placed with each firm.

Each Investment Manager that fails to submit a quarterly report or fails to use its best efforts (as determined by the Trustees) to assist the Fund in fulfilling the above stated policy will be scheduled to appear before the Trustees to explain its actions.

It is the goal of the Fund to have at least 10% of its fixed income transactional amounts and at least 20% of its equity related commissions be placed with MWDBE broker/dealers.

**- SECTION V -**  
**SELECTION AND REVIEW OF INVESTMENT MANAGERS**

The Board of Trustees' selection of Investment Manager(s) must be based on prudent due diligence procedures. All manager selections must be conducted using a formal search process where qualifying candidates are reviewed on a consistent basis. The Board will consider a broad range of candidates and actively consider minority, women and disabled person-owned business enterprises (MWDBE) that also have the required capabilities. It is the goal of the Fund to have 7-10% of its assets, across all asset classes, managed by MWDBE investment managers.

A qualifying Investment Manager must be a registered investment advisor under the Investment Advisors Act of 1940 or exempt from registration as demonstrated to the satisfaction of the Board, or a bank or insurance company similarly registered or exempt. The Board requires that each Investment Manager provide, in writing within the Investment Management Agreement, acknowledgment of fiduciary responsibility to the Fund as specified in the Illinois State Statutes.

During the search process candidates are not permitted to contact Board members. Any contact between Board members and candidates prior to the finals presentation may result in disqualification.

**INVESTMENT MANAGER SELECTION**

The manager search process combines both quantitative and qualitative components in an effort to identify suitable candidates. The Investment Consultant and Fund investment staff will lead Investment Manager searches with the coordination of staff. A formal Request for Proposal will be initiated and all procedures outlined in the Fund's Procurement Policy will be employed. The final selection of an Investment Manager will be approved by a majority of the Board.

Depending upon the mandate of each Investment Manager search, minimum screening criteria will be prepared, in writing, by the Investment Consultant and Fund investment staff in advance of each search. Criteria shall include, but is not limited to:

- Personnel qualifications of the firm's ownership, investment professionals and support staff, including but not limited to education, investment experience, tenure, etc;
- Total assets under management of the firm and within the mandate sought;
- Suitable number of years as a going concern;
- A verifiable track record that demonstrates consistent adherence to the stated investment approach;
- Risk and return characteristics of historical data that are consistent with the specified role;
- No legal or regulatory judgments/actions pending or outstanding, and;
- Any other material issue negatively impacting the Fund.

The inclusion of investment management firms in any search which do not meet the minimum determined screening criteria must be fully documented and disclosed, in writing, to all Trustees.

## PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Consultant(s) (quarterly) and Custodian(s) (monthly) shall be compiled and communicated to the Board for review. The investment return of the total portfolio, as well as asset class components, will be measured against performance benchmarks, appropriate for each portfolio, as adopted by the Board. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals and guidelines as set forth in this Statement.

Investment Managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, compliance with the Fund directives regarding utilization of minority, women and disabled-owned broker dealers and other factors that may impact their ability to achieve the desired investment results.

Though the Board reserves the right to terminate a manager at their discretion, “watch list” guidelines have been established to facilitate the review process.

A manager may be placed on a “watch list” and a thorough review and analysis of the manager may be conducted under the following circumstances:

- The manager or strategy may no longer fit the desired portfolio structure. This may reflect a revision of the desired portfolio structure due to other factors such as changes in asset allocation and/or risk profile.
- The manager fails to achieve the performance objectives established within the Investment Policy such as underperformance relative to a designated index benchmark or median of the peer universe.
- The manager or strategy deviates from the universe and benchmark dramatically and in a manner that would not have been expected given the tracking error expectations of the strategy.
- The manager or strategy exhibits style drift or a change in philosophy, which the manager was not initially hired to provide.
- Any gross negligence, willful misconduct, malfeasance, investment policy violation or breach of federal and/or state securities laws.
- Failure to comply with Board policies or this Statement of Investment Policy.
- Any other reason including but not limited to items such as ownership, organizational or portfolio management changes, legal or regulatory actions initiated against the manager or any other material issue negatively impacting the Fund.

Ultimately the decision to retain or terminate an Investment Manager cannot be made by rigid rules or formula. It is the Board's confidence in the manager's ability to add value to the Fund that ultimately determines the retention of the manager. The Board may find it necessary to terminate an Investment Manager at any point, based upon, but not limited to the following criteria:

1. Inability to exceed the stated performance objectives.
2. Inability to adhere to all applicable Board Policies, Investment Policies and Investment Manager Guidelines.
3. Material changes in the investment manager's organization, investment philosophy and/or personnel.
4. Any legal, SEC and/or regulatory agency proceedings affecting the investment manager.
5. To meet liquidity needs.
6. De minimus account size.

*- SECTION VI -*  
*DEFINITIONS AND CONCLUSION*

1. **"The Fund"** shall mean The Firemen's Annuity and Benefit Fund of Chicago.
2. **"Retirement Board"** or **"Board"** shall refer to the governing Board of Trustees established to administer the Fund as specified by applicable ordinance.
3. **"Fiduciary"** shall mean any entity or person who exercises any discretionary authority or discretionary control respecting management of the Fund or exercises any authority or control respecting management or disposition of the Fund's assets, or renders investment advice for a fee or other compensation, direct or indirect, with respect to monies or property of the Fund, or has any discretionary authority or responsibility in the administration of the Fund.
4. **"Investment Consultant"** shall mean any entity or person employed to provide advisory services, including advice on investment objective and/or asset allocation, manager search, and performance monitoring.
5. **"Investment Manager"** shall mean any individual, or group of individuals, employed to manage the investment of Fund assets.
6. **"Broker/Dealer"** shall mean any entity or person in the business of effecting securities transactions for its own account and/or of others and registered as such with the Securities and Exchange Commission and a member of the National Association of Securities Dealers, Inc.
7. **"Investment Horizon"** shall be the time period over which the investment objectives, as set forth in this Statement, are expected to be met. The investment horizon for this fund is an 80 year spectrum segmenting risk tolerance to the present value of the Fund liabilities as follows: Conservative - current to 3 years, moderate - 4 to 15 years, and aggressive - 16 to 80 years.
8. **"Market Cycle"** shall be a time period which includes a significant market decline from peak to trough and a sustained market increase significantly above the previous peak. Observing performance over a market cycle allows the Board to analyze the results without biasing the results in favor of managers that might outperform during certain sub-periods. If a market cycle should take place within a short time period, additional time may still be needed to assess the value added of the manager.
9. **"Emerging Investment Manager"** shall mean a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority-owned business", "women-owned business" or "persons with a disability owned business" as those terms are defined in the Illinois Business Enterprise for Minorities, Women and Persons with Disabilities Act.
10. **"Minority Investment Manager"** means a qualified investment manager that manages an investment portfolio and meets the definition of "minority owned business", "women owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Women, and Persons with Disability Act.

## CONCLUSION

This Statement of Investment Policy is a working document structured to accomplish long-term and short-term planning. Investment Managers and other fiduciaries are invited to contact the Fund or the Investment Consultant(s) with any questions about the interpretation or application of any provisions. This Statement of Investment Policy will be reviewed as needed. All changes will be communicated to all appropriate parties in writing.

Please address reports, correspondence and communications to:

THE FIREMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO  
Attention, Chief Investment Officer  
20 South Clark Street – Suite 1400  
Chicago, Illinois 60603-1899  
(312) 726-5823

**- SECTION VII -**  
**SPECIFIC OBJECTIVES AND GUIDELINES FOR INDIVIDUALLY MANAGED PORTFOLIOS**

**INVESTMENT OBJECTIVES AND GUIDELINES**

The Board expects to receive results from the Investment Managers that are consistent with the policies included herein. The Board has established investment guidelines specific to each investment manager retained by the Fund. These objectives and guidelines will provide a basis for evaluating the effectiveness of each Investment Manager and the overall investment program over time. In addition to each managers' specific guidelines, the following broad restrictions apply to all investment managers employed on behalf of the Fund.

**BOARD RESTRICTIONS**

- No assets, with the exception of approved alternative investments, shall be invested in restricted (lettered) stock or in private placements. This restriction is not meant to preclude purchases of securities issued under SEC Rule 144a. Rule 144a allows trading among qualified institutional investors within a segment of the private placement market.
- No assets will be invested with firms that make, service or invest in loans as defined by the Illinois High Risk Home Loan Act.
- Derivatives will be utilized in a prudent manner that is consistent with the investment mandate for which an investment manager has been employed.
- During such time as an investment in a commingled fund shall exist, the Declaration of Trust or other document creating said commingled fund shall control and the limitations set forth within this document do not apply.

## TOTAL FUND

### OBJECTIVES AND GUIDELINES

#### Investment Objectives

The primary investment objective of the Fund shall be to exceed the return of the performance benchmark, on a net of fee basis, over a full market cycle. The Performance Benchmark, or Policy Target, shall be a weighted average of each asset class benchmark, weighted by the target allocation to each asset class over time.

A secondary measure of investment success shall be a review of returns relative to a universe of peer public pension plans. Over the long term, the Fund objective is to rank within the top 33% if a universe of peers. During intermediate or shorter term periods, the Fund seeks to rank in the top 50% of the same universe.

#### Investment Guidelines

- The investment guidelines governing each asset class/manager will together constitute the Total Fund guidelines.
- The Board is responsible for the overall asset allocation of the Fund. Each manager will be responsible for adhering to the guidelines for its portion of Fund assets.

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

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

#### Reference Index Allocations

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

**- SECTION VIII -**

***REQUIRED REPORTING OF ACTIVELY MANAGED INVESTMENT PORTFOLIOS***

The Board has determined that each Investment Manager given discretionary authority over a portion of the Fund's assets shall provide the following required reports to the Fund at the time periods indicated.

Three (5) copies of these reports shall be compiled and distributed electronically in PDF format as follows:

- |                                  |                  |
|----------------------------------|------------------|
| 1. Investment Committee Chairman | ICM@fabf.org     |
| 2. Chief Investment Officer      | CIO@fabf.org     |
| 3. Executive Director            | EXECDIR@fabf.org |
| 4. Comptroller                   | COMP@fabf.org    |
| 5. Callan Associates             | CALLAN@fabf.org  |

**ON A MONTHLY BASIS:**

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

**ON A QUARTERLY BASIS:**

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

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

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

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

5. FINANCIAL CHARACTERISTICS of portfolio vs. specific benchmark.

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

**ON AN ANNUAL BASIS:**

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

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

2. INVESTMENT HEADQUARTERS: On an annual basis, as of June 30, investment managers will provide to the Fund a list indicating the Fund's holdings in publicly traded equity and fixed income securities and private equity investments headquartered in Illinois.

**Attachment 3**  
**[Investment Manager/General Partner/Fund Information]**

\_\_\_\_\_, 2018

Firemen's Annuity and Benefit Fund of Chicago  
20 S. Clark Street  
Suite 1400  
Chicago, Illinois 60603

Ladies and Gentlemen:

Reference is made to the [XXXXXX] Fund, L.P., a [XXXXXX] limited partnership (the "Partnership"), dated [XXXXXX], as such agreement may be amended from time to time (as so amended, the "Agreement"), among [XXXXXX], as general partner (the "General Partner"), and the limited partners party thereto (the "Limited Partners"). The Firemen's Annuity and Benefit Fund of Chicago (the "Investor"), is subscribing for an Interest in the Partnership. Capitalized terms used herein without definition have the meanings provided in the Partnership Agreement, and section and article references herein are references to sections and articles of the Partnership Agreement.

In consideration of the investment made by the Investor, the Investor and the General Partner, acting on behalf of itself and the Partnership, agree as follows:

1. Compliance with Law. The General Partner shall use its commercially reasonable efforts to cause the Partnership not to purchase investments from, sell investments to or incur any indebtedness for borrowed money in favor of (i) any Person appearing on the Specially Designated Nationals and Blocked Persons List of the Office of Foreign Assets Control in the United States Department of the Treasury, (ii) any other Person with whom a transaction is prohibited by applicable provisions of Executive Order 13224 (66 Fed. Reg. 49079), Uniting and Strengthening America by Providing Appropriate Tools Required to Intercept and Obstruct Terrorism (USA PATRIOT ACT) Act of 2001, the Trading with the Enemy Act of 1917 or the foreign asset control regulations of the United States Treasury Department, in each case as amended from time to time, or (iii) any Person known by the Partnership to be controlled by any Person described in the foregoing items (i) or (ii). For purposes of the foregoing, the Partnership's reliance on a representation or warranty made by a counterparty at or prior to the time of a Partnership investment or transaction will constitute commercially reasonable efforts.

2. Tax Matters.

(a) The Investor represents to the Partnership and the General Partner that it is a tax-exempt entity under U.S. federal, state and local laws, and has never been subject to, and is unlikely to be subject to, any tax withholding requirements of the U.S. federal, state or local laws. To the extent reasonably feasible and subject to any applicable requirements of law, including laws relating to the timing, withholding and payment of taxes, before withholding and paying over to any United States federal, state or local taxing authority any amount purportedly representing a tax liability of the Investor pursuant to the provisions of the Partnership Agreement, as a Limited Partner or as otherwise required by applicable tax law, the General Partner will provide the Investor

with written notice of the claim of such U.S. taxing authority that such withholding and payment is required by law and will provide the Investor with the opportunity to contest (at the Investor's expense) such claim during any period; provided that such contest does not subject the Partnership or the General Partner or any of their respective partners or members to any potential liability to such taxing authority for any such claimed withholding and payment, and would not otherwise, in the reasonable judgment of the General Partner, result in adverse consequences to the Partnership or any of its Partners.

3. Power of Attorney. The General Partner confirms that the power of attorney rights granted to the General Partner pursuant to the Partnership Agreement and the Investor's Subscription Agreement are intended to be ministerial in scope and limited solely to those items permitted, and which the General Partner deems to be reasonably necessary or appropriate, under the relevant grant of authority, and such power of attorney rights are not intended to be a general grant of power to independently exercise discretionary judgment on behalf of the Investor. Notwithstanding anything in the power of attorney granted to the General Partner pursuant to the Partnership Agreement and the Investor's Subscription Agreement which may be construed to the contrary, no exercise of such power by the General Partner is authorized by the Investor or shall be deemed valid with respect to the Investor if it contravenes any applicable federal or state law.

4. No Proceedings. The General Partner represents and warrants to the Investor that, as of the date hereof and except as disclosed to the Investor in writing on or prior to the date hereof (a) there are no actions, proceedings or investigations pending before any court or governmental authority, including without limitation, the Securities and Exchange Commission or any state securities regulatory authority, nor, to the best of the General Partner's knowledge, are any such actions, proceedings or investigations threatened, against the Partnership, the General Partner or the Investment Manager, that (i) claim or allege violation of any federal or state securities law, rule or regulation or (ii) are more likely than not, as determined in the General Partner's reasonable judgment, to have a material adverse effect on the Partnership. The General Partner confirms that it shall provide the Investor with written notice of (x) any such enforcement action promptly after the General Partner is notified of any such enforcement action and with respect to the disposition thereof, and (y) any bankruptcy filings by the General Partner, or petitions filed by or proceedings instituted against the General Partner under any bankruptcy or insolvency law which, in each case, in the General Partner's reasonable judgment are more likely than not to have a material adverse effect on the Partnership or on the General Partner's or the Investment Manager's ability to perform their respective obligations to the Partnership.

5. Arbitration; Waiver of Jury Trial; Jurisdiction.

(a) The Investor hereby represents to the Partnership and the General Partner that the Investor is a statutorily created public pension fund governed by the Illinois Pension Code and maintains an internal policy pursuant to which the Investor does not agree to arbitration. On that basis, the General Partner agrees that, notwithstanding anything to the contrary in the Partnership Agreement (including any subsequent amendment) or in the Investor's Subscription Agreement, the Investor shall not in any event be required to submit any claims against or dispute with the General Partner or the Partnership to arbitration.

6. Illinois Finance Entity. The Investor hereby represents to the Partnership and the General Partner that the Investor is subject to 40 ILCS 5/1-110.10. Based on such representation, the General Partner hereby confirms that the Partnership is a Delaware limited partnership and

represents and warrants to the Investor that the Partnership is not, as of the date hereof, an “Illinois finance entity” as defined in 40 ILCS 5/1-110.10(a).<sup>1</sup> The General Partner agrees that it will promptly notify the Investor in writing in the event that the Partnership becomes an Illinois finance entity after the date hereof. The General Partner further agrees and acknowledges that if the Partnership becomes an Illinois Finance Entity, the General Partner will be required to annually certify to the Investor that the Partnership complies with the requirements of the Illinois High Risk Home Loan Act.

7. Placement Fees.

Based upon the Investor’s status as a statutorily created public pension fund governed by the Illinois Pension Code, the General Partner hereby represents and warrants that no placement agent, finder or other individual or entity was retained by the Partnership, the General Partner, the Investment Manager or any of their respective principals, employees, Affiliates, agents or service providers to attempt to influence the decision by the Investor or its fiduciaries (including its trustees, staff and advisors) to invest in the Partnership in exchange for compensation that is contingent in whole or in part upon such decision, in violation of 40 ILCS 5/1-145.

8. Disclosure.

(a) The Investor hereby represents to the Partnership and the General Partner that the Investor is a statutorily created public body subject to state laws including, without limitation, (i) Illinois Freedom of Information Act (5-ILCS-140) which provides generally that a public body’s records and agreements are open to public inspection and copying unless exempted or subject to some specific protection under the aforementioned act, and (ii) Illinois Open Meetings Act (5-ILCS-120) (and collectively with the Illinois Freedom of Information Act (5-ILCS-140) the “Illinois Acts”), which provides generally for open meetings for public boards. The General Partner shall make no claim against the Investor if the Investor makes available to the public any report, notice or other information the Investor receives from the Partnership or the General Partner which was required to be made public by the Investor pursuant to the Illinois Acts. The Investor agrees to use reasonable efforts to notify the General Partner promptly of any request for information that could reasonably be viewed as leading to public disclosure of information that is required to be kept confidential pursuant to Section 7.5 of the Partnership Agreement (such information, “Confidential Information”). Subject to the Investor’s belief after due inquiry as to its obligations under the Illinois Acts, including the time it has to respond to a request, the Investor shall use commercially reasonable efforts to inform the General Partner of exemptions from disclosure that might be available under the Illinois Acts with respect to the Confidential Information requested to be disclosed, and shall use commercially reasonable efforts to provide the General Partner a reasonable opportunity to assist the Investor in identifying an exemption from the public disclosure of such Confidential Information. Upon request, the General Partner shall furnish the Investor with a redacted copy of any Partnership documents that are already in the possession of the Investor and are the subject of a public records request, identifying specifically the portions that the General Partner believes are Confidential Information exempt from disclosure under the Illinois Acts. The Investor shall also exercise commercially reasonable

---

<sup>1</sup> An “Illinois finance entity” is as any entity chartered under the Illinois Banking Act, the Savings Bank Act, the Illinois Credit Union Act or the Illinois Savings and Loan Act of 1985, and any person or entity licensed under the Residential Mortgage License Act of 1987, the Consumer Installment Loan Act or the Sales Finance Act.

efforts to notify the General Partner if the Investor intends to disclose Confidential Information that the General Partner has specifically identified as exempt from disclosure.

9. Transfers. The General Partner shall not withhold its consent to any transfer made in accordance with the provisions of the Partnership Agreement of all or any portion of the Investor's Interest in the Partnership to an Affiliate or successor plan of the Investor. In the event of any transfer of all or a portion of the Investor's Interest in the Partnership to an Affiliate or successor plan of the Investor, such Affiliate or successor plan shall become a substituted Limited Partner and shall be entitled to the full benefit of the provisions of this Letter Agreement.

10. Investment Manager. The General Partner represents that the Investment Manager is (i) duly organized, validly existing and in good standing as a Delaware limited partnership and (ii) a registered investment adviser under the Investment Advisers Act of 1940, as amended, and the General Partner agrees that it will provide prompt notice to the Investor in the event that the Adviser ceases to be so registered.

11. Insurance. The General Partner represents and warrants to the Investor that the General Partner maintains fidelity insurance coverage in an amount of not less than \$10,000,000, and shall use commercially reasonable efforts to maintain such coverage for so long as the Investor is a Limited Partner. The General Partner agrees that it will provide prompt notice to the Investor in the event that no fidelity insurance coverage is in place.

12. Amendments to Partnership Agreement. The General Partner shall promptly notify the Investor in writing of any material amendments to the Partnership Agreement, and the General Partner will delay the effective date of any such amendment until after the Investor has been given such notice and an opportunity to withdraw from the Partnership in accordance with the terms of the Partnership Agreement.

13. Subscription Agreement.

(a) Based on the Investor's representation that the Investor is an employee pension plan, the underlying participants or beneficiaries of which do not have discretion over individual investment decisions of the Investor, the General Partner acknowledges that, notwithstanding anything to the contrary in the Investor's Subscription Agreement, the Investor is not making any representations or warranties on behalf of such underlying participants or beneficiaries in their individual capacities and the term "beneficial owners" or similar terms in the Investor's Subscription Agreement shall be deemed to exclude such underlying participants or beneficiaries.

14. Most Favored Nation. The General Partner hereby represents that, except with respect to any rights granted in this paragraph 14, as of the date of this Letter Agreement, neither the General Partner nor the Partnership has granted to any other Limited Partner any right to review and elect the benefit of any side letter provisions granted to any other Limited Partner. If the General Partner or the Partnership shall grant any such "most favored nation" rights to any other Limited Partner (or related group of Limited Partners) which has an aggregate amount of capital invested in the Partnership equal to or less than the amount that the Investor has invested in the Partnership after the date of this Letter Agreement with respect to (i) withdrawal rights set forth in [XXXXX] of the Partnership Agreement or (ii) other than pursuant to an applicable consultant aggregation arrangement, a net management fee rate (calculated on a net basis inclusive of any and

DRAFT Sample Side-Letter  
Subject to Further Revision

all applicable discounts, credits, refunds, rebates or other offsets or deductions), as provided herein, the General Partner shall promptly grant such rights to the Investor as well.

15. Fiduciary. The General Partner understands that the Investor is a “governmental plan” and is not subject to the provisions of Title I of ERISA; however, each of the General Partner and the Investment Manager acknowledge that it is a fiduciary with respect to the Partnership and the Investor.

16. Aggregate Fees. The General Partner agrees that in the event any City of Chicago sponsored pension fund (“City pension fund”) subscribes for an interest in the Partnership, the Management Fee expense provided for and as calculated in accordance with section 4.3 of the Agreement for both the Investor and any such City pension fund shall be calculated by aggregating the capital contributions less aggregate withdrawals made by the Investor and any such City pension funds. The Management Fee expense calculated by the aggregated capital contributions less aggregate withdrawals shall be then prorated to the Investor and applicable City pension funds based on the individual capital contributions less aggregate withdrawals of each.

17. Limits of Indemnification. For the avoidance of doubt, no indemnification or advancement for expenses will be allowed for internal disputes among the General Partner, the Investment Manager, their employees and Affiliates (other than the Partnership), other than in connection with actions brought by a third party.

18. Quarterly Reports. The General Partner confirms that, as part of or with the quarterly reports prepared for the Investor pursuant to [XXXXX] of the Partnership Agreement, the Investor will be provided a statement of investment returns on a net basis, after payment of all fees, commission and any other compensation.

19. Notice of Auditor. The General Partner agrees to notify the Investor of the replacement by the General Partner of the Partnership’s independent auditors in the Partnership’s next quarterly or annual report, as applicable.

20. No Personal Indemnification. The General Partner hereby confirms that the Partnership Agreement and the Subscription Agreement do not impose any personal indemnification obligations on the trustees of the Investor and shall not be applied or construed to require the trustees of the Investor to provide indemnification directly to any person or entity thereunder; provided, however, that nothing herein shall relieve the Investor from their responsibility for the truth and accuracy of their representations, warranties and covenants in the Subscription Agreement.

21. Distributions In Kind. The General Partner agrees and acknowledges that it will use its reasonable best efforts to ensure that any distributions to Investor will be made in cash.

22. Transfer by General Partner. The General Partner shall not assign or transfer its general partnership interest (in whole or in part) in the Partnership unless such assignee or transferee agrees to be bound by this letter agreement.

23. Indebtedness. For the avoidance of doubt, the General Partner confirms that the Partnership will not incur any indebtedness that will establish a lien against the Investor or its pension fund assets, other than with respect to its pension fund assets in the Partnership.

24. Provisions Pursuant to Illinois Law.

(a) Due to the fact that the Investor has represented that it is a public body subject to Section 1-113.14(c) of the Illinois Pension Code, the Investment Manager shall disclose to the Investor the name and address of (i) the Investment Manager and any entity that is a partner of, or directly owns a controlling interest in Investment Manager, and (ii) any Persons who have an ownership or distributive income share in the Investment Manager that is in excess of 7.5%; and (iii) any information required by Section 113.21 of the Illinois Pension Code.

(b) Due to the fact that the Investor is a statutorily created public body subject to Illinois state laws and its own internal policies:

1. with respect to transactions between the General Partner or the Partnership, on the one hand, and Affiliates of the General Partner or the Fund, on the other, that relate to the Partnership, the General Partner agrees to provide Investor, upon Investor's written request, with the underlying documentation of any such transactions which the Investor's Board deems reasonably necessary to fulfill its fiduciary obligations or comply with applicable law; and

2. in addition to the information to be provided to Investor under the terms of the Partnership Agreement, the General Partner agrees to provide, at Investor's request, other reasonably requested information which the Investor's Board deems reasonably necessary to fulfill its fiduciary obligations or comply with applicable law.

25. Miscellaneous. This Letter Agreement may be executed in multiple counterparts which, taken together, shall constitute one and the same agreement. This Letter Agreement is binding on and enforceable against the Partnership, the General Partner and the Investor notwithstanding any contrary provisions in the Partnership Agreement or the Investor's Subscription Agreement, and in the event of a conflict between the provisions of this Letter Agreement and the Partnership Agreement or the Investor's Subscription Agreement, as among the parties hereto, the provisions of this Letter Agreement shall control. This Letter Agreement shall survive delivery of a fully executed original of the Investor's Subscription Agreement executed by the Investor in connection with its subscription for an Interest in the Partnership. This Letter Agreement may be amended only with the written consent of all of the parties hereto. The General Partner acknowledges and agrees that no failure or delay by the Investor in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any right, power or privilege hereunder. Except to the extent the terms hereof require interpretation, application or enforcement of a law, regulation or public policy of the State of Illinois, in which case the laws of the State of Illinois shall govern, this Letter Agreement shall be governed in all respects by the laws of the State of Delaware, without regard to conflict of law provisions. Each provision of this Letter Agreement shall be considered severable and if for any reason any provision is determined by a court of competent jurisdiction to be invalid or unenforceable and contrary to the Act or existing or future applicable law, such invalidity or unenforceability shall not impair the operation of or affect those provisions of this Letter Agreement which are valid.

[REMAINDER OF PAGE INTENTIONALLY BLANK]

DRAFT Sample Side-Letter  
Subject to Further Revision

Very truly yours,

THE GENERAL PARTNER:

[XXXXXXXXXXXXXXXXXXXXX]

By: [XXXXXXXXXX], its managing member

By: \_\_\_\_\_

Name:

Title:

THE INVESTMENT MANAGER:

[XXXXXXXXXXXXXXXXXXXXX]., a Delaware limited partnership

By: \_\_\_\_\_

Name:

Title:

Accepted and Agreed as of  
the date first above written:

THE FIREMEN'S ANNUITY AND BENEFIT  
FUND OF CHICAGO

By: \_\_\_\_\_

Name:

Title: