

**MUNICIPAL EMPLOYEES', OFFICERS' AND OFFICIALS'
ANNUITY AND BENEFIT FUND OF CHICAGO**

A PENSION TRUST FUND OF THE CITY OF CHICAGO

INVESTMENT POLICY STATEMENT



**Adopted by the Board of Trustees
April 22, 2014**

Amended January 24, 2019

Table of Contents

INTRODUCTION	1
MISSION STATEMENT	1
STATEMENT OF PURPOSE	1
DELEGATION OF RESPONSIBILITIES	1
Responsibilities of the Board	2
Responsibilities of Fund Staff	2
Responsibilities of the Investment Consultant(s)	3
Responsibilities of the Investment Manager(s)	3
Responsibilities of the Custodian(s)	3
Responsibilities of the Securities Lending Agent(s)	4
Responsibilities of Outside Legal Counsel(s)	4
Responsibilities of the City Treasurer	4
RISK MANAGEMENT	4
INVESTMENT GOALS AND OBJECTIVES	5
PORTFOLIO EVALUATION & REPORTING	5
INVESTMENT MANAGER WATCH LIST	5
INVESTMENT GUIDELINES	6
General Guidelines (Equity and Fixed Income)	7
U.S. Equity Manager Guidelines – Separate Account	8
Non-U.S. Equity Manager Guidelines	8
Investment Grade Fixed Income Manager Guidelines – Separate Account	9
Core Plus Fixed Income Manager Guidelines – Separate Account	9
High Yield Fixed Income Manager Guidelines – Separate Account	11
Unleveraged Senior Secured Loans Fixed Income Manager Guidelines – Separate Account	12
Cash Manager Guidelines – Separate Account	12
Guidelines Relating to Commingled Funds, Mutual Funds, Collective Funds, Pooled Funds, Limited Partnerships or Other Similarly-Structured Vehicles	13
INVESTMENT MANAGER SELECTION PROCESS	13
ASSET ALLOCATION	13
LIQUIDITY NEEDS & PORTFOLIO REBALANCING	13
COST MANAGEMENT	14
CORPORATE GOVERNANCE	15
Proxy Voting	15
Securities Litigation (Class Actions) Policy	15
BOARD AUTHORITY TO IMPOSE INVESTMENT RESTRICTIONS	15
ENFORCEMENT	15
CONCLUSION	15
AMENDMENTS TO THE INVESTMENT POLICY STATEMENT	16
APPENDICES	17
Appendix A: Target Asset Allocation	18
Appendix B: Policy Benchmark	19
Appendix C: Investment Manager and Investment Consultant Procurement Policy	20
Appendix D: M/W/DBE Emerging Investment Manager Utilization Policy	23
Appendix E: M/W/DBE Broker-Dealer Utilization Policy	24
Appendix F: Restrictions on Investment	26
Appendix G: Form of Investment Manager Annual Compliance Certificate	27

INTRODUCTION

The Retirement Board of the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago (the "Board") adopted this Investment Policy Statement on April 22, 2014. The Board expects to review this Investment Policy Statement at least annually.

The Municipal Employees', Officers' and Officials' Annuity & Benefit Fund of Chicago (the "Fund") is a single-employer defined benefit public pension fund. The Fund was created in 1922 by virtue of an Act of the State of Illinois Legislature. The Fund is administered in accordance with Illinois Pension Code, Chapter 40, Act 5, Articles 1, 8 and 20. The complete text that governs the Fund can be reviewed on the State of Illinois' website (www.state.il.us.) This Investment Policy Statement applies solely to the Fund's investment assets.

MISSION STATEMENT

The Board has established the following mission:

Our mission is to provide benefits for our members, and our goals are to provide excellent service and preserve the fiscal integrity and financial stability of the Fund.

STATEMENT OF PURPOSE

The purpose of this document and its attached appendices is to set forth the Board's investment objectives and procedures relating to the investment of Fund's assets in accordance with the Illinois Pension Code and to define the duties and responsibilities of the Board, acting in a fiduciary capacity, and all agents acting on the Board's behalf.

The provisions of the Illinois Pension Code specifically referring to the definitions, duties and responsibilities of a fiduciary include (in condensed form):

- a fiduciary is anyone who has discretion in managing pension fund assets or in administering the pension fund, or who renders investment advice for direct or indirect compensation. [40 ILCS 5/1-101.2.]
- a fiduciary must discharge its duties to the pension fund for the exclusive purposes of providing benefits to participants and beneficiaries, and defraying administrative expenses of the pension fund. [40 ILCS 5/1-109(a).]
- a fiduciary must discharge its duties to the pension fund with the same care, skill, prudence and diligence that a prudent person would use in a similar enterprise. [40 ILCS 5/1-109(b).]
- a fiduciary must discharge its duties to the pension fund by diversifying the investments to minimize the risk of large losses, unless prudence dictates otherwise. [40 ILCS 5/1-109(c).]
- a fiduciary must discharge its duties to the pension fund in accordance with Articles 1 and 8 of the Illinois Pension Code. [40 ILCS 5/1-109(d).]
- a fiduciary must not cause the pension fund to engage in prohibited transactions. A fiduciary must not deal with the pension fund's assets for its own interest, or on behalf of any party whose interests are adverse to the pension fund or its participants or beneficiaries. [40ILCS 5/1-110(b)(3)]

The Investment Policy Statement is intended to comply with the provisions of the Illinois Pension Code. In the event of a conflict between the Investment Policy Statement and the Illinois Pension Code, the Illinois Pension Code governs.

DELEGATION OF RESPONSIBILITIES

In accordance with the Illinois Pension Code [40 ILCS 5/1-109.1], the Board has the ability to delegate fiduciary duties to other parties as it relates to the prudent investment of Fund assets. The following is a description of the primary investment-related responsibilities of those parties. This summary is meant to serve as a guide and a communication aid for the parties with responsibilities related to the Fund's investment program.

Responsibilities of the Board

The Board is responsible for carrying out the requirements of the law governing the Fund, developing policies for Fund administration and creating goals and objectives for the exclusive benefit of the Fund, its participants and their beneficiaries. The Board shall:

- Adopt an Investment Policy Statement and monitor the implementation of the Investment Policy Statement.
- Adopt necessary ancillary directives to augment the Investment Policy Statement.
- Set investment goals, objectives and guidelines.
- Diversify Fund assets to minimize non-systematic risk.
- Select and retain investment consultant(s) and outside legal counsel(s) that will assist the Board and the Fund's investment staff in making investment-related decisions.
- Use available information and resources, including advice from the investment consultant(s), outside legal counsel(s) and the Fund's investment staff, to select and retain investment managers and other professionals as needed to assist in the administration and implementation of the Fund's investment program.
- On a quarterly or other periodic basis, review asset allocation, investment manager performance and the conduct of all professionals associated with the investment of Fund assets.
- Defray reasonable expenses.
- Initiate an asset/liability study and asset allocation review at least every three to five years.
- Periodically review and update the Fund's Signature Resolution authorizing Board-approved staff members to sign certain documents on behalf of the Board.

All authority related to the Board shall be exercised solely by the Board as a whole and not by an individual Board member.

Responsibilities of Fund Staff

The Executive Director is appointed to oversee the administration of the Fund (Benefits, Investments, Accounting, etc.) and to execute Board policy and other directives as the Board may set. The internal investment staff reports to the Chief Investment Officer (collectively, the "Investment Staff") who in turn reports to the Executive Director and the Board.

The Executive Director has the following responsibilities:

- Communicate with the Board regarding important investment-related matters.
- Monitor the activities of the Investment Staff to ensure compliance with Board objectives and that the Investment Staff's responsibilities are being carried out prudently; provide recommendations and/or direction to the Investment Staff as necessary.
- Ensure that proper controls are in place to safeguard Fund assets.
- After keeping the Board apprised of material issues arising throughout the contract negotiation process and upon successful negotiations, execute contracts with Board-approved investment service providers and report to the Board regarding the execution of such contracts at the Board's next regularly scheduled meeting. In the Executive Director's absence, the Chief Investment Officer shall have this responsibility.
- Execute routine contract amendments (i.e. amendments that do materially alter the contractual arrangement) with existing Board-approved investment service providers and report to the Board regarding such amendments at the Board's next regularly scheduled meeting. In the Executive Director's absence, the Chief Investment Officer shall have this responsibility.

The Investment Staff has the following responsibilities:

- Act as a liaison between the Board and the Fund's external investment managers.
- Monitor the performance of the investment portfolio.
- Make certain that proper liquidity is in place to cover pension benefits and other financial obligations.
- Ensure that investment activity is properly recorded to the Fund's account ledger in a timely fashion.
- Work closely with the Board to ensure goals and objectives are met.
- Ensure that performance reports from the investment managers are received in a timely fashion and are an accurate reflection of performance.

- Communicate with the Board concerning investment performance and other matters of importance relating to the Fund's investment portfolio.
- Serve on limited partnership advisory boards for the Fund's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the Fund, its participants and their beneficiaries.
- Review and approve annual compliance reports supplied by investment managers (see: *Appendix G: Form of Investment Manager Annual Compliance Certificate*).

Responsibilities of the Investment Consultant(s)

Independent investment consultants are retained by the Board to provide expert advice, counsel and support as it relates to the Fund's investment program. The investment consultant(s) shall:

- Provide advice that aids the Board in determining the most effective investment program and the proper allocation of assets.
- Measure investment performance results, evaluate the investment program and advise the Board as to the performance and continued appropriateness of each investment manager.
- Provide the Board and Investment Staff with regular performance reporting including, but not limited to, comprehensive quarterly reports and monthly summary reports.
- Recommend modifications to the investment policies, objectives and guidelines as appropriate.
- Promptly inform the Board and Investment Staff regarding significant matters pertaining to the investment of Fund assets.
- Conduct, or assist in conducting, searches for investment managers and other investment-related service providers.
- Provide reasonable additional support to the Board and Investment Staff on an as-needed or project-specific basis in accordance with the Board's procurement policies.
- Serve on advisory boards for the Fund's investments when appropriate and vote on issues in a manner consistent with a fiduciary duty to the Fund, its participants and their beneficiaries.

Responsibilities of the Investment Manager(s)

The investment manager(s) hired by the Fund shall:

- Comply with all applicable laws, regulations, rulings and contract documents; promptly inform the Board, Investment Staff and investment consultant regarding any instance of non-compliance.
- Manage the portion of the Fund's assets under its control in accordance with the policy objectives and guidelines established by contract.
- Exercise full investment discretion within the established policies and guidelines with regard to buy, hold and sell decisions for the assets under management.
- On at least a quarterly basis, reconcile the account's positions with the Fund's custodian.
- Promptly inform the Board, Investment Staff and investment consultant regarding significant matters pertaining to the investment of the Fund's assets, including, but not limited to, changes in ownership, organizational structure, investment strategy, portfolio design, composition of the investment team and legal issues. The Fund should receive notice within five business days of such events.
- Provide timely reporting to the Fund regarding account activity, performance results and any other reasonable information requested by the Fund.
- Comply with the Fund's brokerage goals, as applicable (see: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*).
- If applicable, make reasonable commercial efforts to minimize the generation of Unrelated Business Taxable Income ("UBTI"); any UBTI generated by the Fund's investments shall be reported to the Fund annually.
- Annually certify compliance with the Fund's Investment Policy Statement as well as all contractual agreements between the investment manager and the Fund (see: *Appendix G: Form of Investment Manager Annual Compliance Certificate*).

Responsibilities of the Custodian(s)

The Fund's custodian(s) shall:

- Act in accordance with relevant custodial agreement.

- Hold, safeguard and, when applicable, accurately price the assets of the Fund.
- Collect interest, dividends, distributions, redemptions and any other amounts due to the Fund.
- Report all necessary investment activity to Fund staff and the investment consultant.
- Prepare periodic summaries of transactions, asset valuations and other related information as deemed appropriate.
- Sweep all residual cash in each account on a daily basis into an investment-grade short-term money market fund, cash vehicle or cash-equivalent vehicle.

Responsibilities of the Securities Lending Agent(s)

The Fund's securities lending agent(s) shall:

- Comply with all applicable laws, regulations, rulings and respective contract documents.
- Limit loan periods to a maximum of one year.
- Perform reasonable due diligence on all borrowers.
- Ensure that adequate collateral is provided to the Fund for the securities that are lent and that the income generated by the securities lending program is fair and reasonable.
- Make every reasonable attempt to recall securities on loan before any transactions involving the lent securities settle.
- Manage the investment of cash collateral in such a manner consistent with the guidelines agreed to by contract and consistent with the risk/return characteristics of the Fund with the predominant focus being capital preservation.
- Provide necessary reporting on a periodic basis to Investment Staff, investment consultant(s) and the Fund's custodian(s).
- Annually certify compliance with the Investment Policy Statement and relevant contractual agreements.

Responsibilities of Outside Legal Counsel(s)

As it pertains to investment-related matters, the Board's outside counsel has the following responsibilities:

- Proactively provide the Board and Investment Staff with advice regarding compliance with applicable laws and regulations.
- Review and provide advice with respect to new investment management agreements, limited partnership agreements, side letters and other contractual agreements with investment managers.
- Review and provide advice with respect to contracts with investment service providers.
- Provide assistance on an as-needed basis with respect to any other legal matters related to investments of the Fund.

Responsibilities of the City Treasurer

The Treasurer of the City of Chicago shall be ex-officio treasurer and custodian of the Fund. The Board may supplement the Treasurer's responsibility by utilizing the services of a master custodian, or other custodian, for the safekeeping of cash and securities. The Fund's custodian, in accordance with the custodial agreement, provides for the proper accounting of portfolio activity, direct access to account information and other necessary services.

RISK MANAGEMENT

Risk management is essential to the Fund's mission and to the success of the Fund's investment program. Most investment decisions have a risk component that must be considered. When making investment decisions, the Board shall make a reasonable effort to consider all risks—liquidity risk, market risk, business risk, credit risk, currency risk, interest rate risk, inflationary risk, etc.—within the context of the Fund's overall portfolio. The Board, with assistance from the Investment Staff and its investment consultant(s), shall, taking into account the Fund's ability and willingness to assume risk, determine an appropriate risk tolerance level for the Fund. Determining the risk tolerance level shall serve as the first step in crafting an appropriate target asset allocation, setting investment goals and objectives, and making other investment-related decision. Understanding that risks evolve over time based on a number of factors including, but not limited to, changes in market environment and the Fund's financial situation, the Investment Staff and investment consultant(s) shall monitor risks and report any material changes in the Fund's overall risk profile to the Board.

INVESTMENT GOALS AND OBJECTIVES

Portfolio Goals and Objectives at the Overall Fund Level:

The Board sets the goals and objectives of the investment portfolio solely in the interest of the Fund, its participants and their beneficiaries. The performance objectives of the Fund are threefold:

1. The Fund is to meet or exceed its actuarial return assumption of 7.5% on a net-of-fees basis over time with a level of risk deemed appropriate by the Board while maintaining liquidity sufficient to cover benefit payments and other obligations.
2. The Fund is to outperform the risk-adjusted return, net-of-fees, of the policy benchmark outlined in Appendix B: Policy Benchmark over a market cycle (typically a three- to five-year period).
3. The Fund is to rank in at least the top half of the investment consultant's universe of comparable institutional investors with similar risk/return parameters consistently over time.

Investment Manager Goals and Objectives:

- Each investment manager is expected to outperform the agreed-upon benchmark on a risk-adjusted-basis over a market cycle (typically a three- to five-year period).
- The total net-of-fees return for the mandate should rank above the median within the respective peer universe.
- The investment manager shall attempt to achieve its return objectives while maintaining an appropriate level of risk as determined by the Board and/or as specified in the investment contract.

PORTFOLIO EVALUATION & REPORTING

The investment consultant and Investment Staff will evaluate the total Fund portfolio on, at least, a quarterly basis. The investment consultant and Investment Staff will meet with the various investment managers and the Board on a regular basis to review any changes to the investment guidelines and analyze the investment performance and structure of the Fund.

The investment manager(s) shall also provide written reports to the Board, Investment Staff and investment consultant on a quarterly basis. The investment manager's quarterly report shall include:

- Portfolio and market commentary/outlook
- Organizational updates (e.g. changes in personnel, management, ownership, etc.)
- Market value of investments
- List of all client-directed cash flows in and out of the account since inception (i.e. allocations to and redemptions from the Fund's account)
- Gross and net-of-fees performance versus the benchmark for the most recent quarterly, year-to-date and relevant longer-term periods
- Calendar year returns (net of fees) versus the benchmark for all periods since inception
- Attribution analysis
- Investment fees for quarterly, year-to-date and inception-to-date periods
- If applicable, capital account statement for quarterly, year-to-date and inception-to-date periods.
- Additional reasonable information as requested by the Board or Investment Staff

The investment consultant will promptly review any sizable shortfall in performance relative to the performance objectives with the Board and Investment Staff.

INVESTMENT MANAGER WATCH LIST

When evaluating an investment manager, the Board utilizes a "watch list" process to identify managers that require closer monitoring. Circumstances that may trigger the Board to place a manager on watch include:

- Poor performance of account relative to stated goals and objectives over a market cycle (typically a three- to five-year period)
- Material violations of the investment guidelines agreed to by contract
- Failure to comply with the terms of the contract
- Sale or merger of the investment management firm
- Changes in key personnel
- Material changes in investment philosophy, process or style
- Legal action taken against the investment management firm
- Unsatisfactory client service
- Noncompliance with the Board’s M/W/DBE Broker-Dealer Utilization Policy (See: *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*)

While on watch, management firms may be required to meet with the Board and submit regular status reports. Removal from the watch list usually results from either the manager resolving the issue(s) that led to them being placed on watch or the Board deciding to terminate the account.

Investment managers placed on watch for performance-related issues will be evaluated based on their risk adjusted performance versus their stated benchmark over a complete market cycle. Investment managers will also be evaluated versus the appropriate peer universe and are expected to maintain net-of-fees performance above the peer median for the three- and five-year time periods.

Understanding that every situation is unique, the Investment Staff and investment consultant may recommend to the Board additional criteria on which to evaluate an investment manager while they are “on watch”. Based on the specific circumstances, the Investment Staff and investment consultant will also make a recommendation at the outset as to a reasonable period over which to evaluate the manager while on watch.

INVESTMENT GUIDELINES

All of the provisions within the Investment Guidelines section shall apply to individual mandates managed by investment managers and not to the Fund as a whole. For the purposes of the Investment Guidelines section, the term “portfolio” shall refer to an individual mandate.

The guidelines for a particular investment mandate are set at the time of hiring and are included in the contractual agreement between the Fund and the investment manager. No deviation from the investment guidelines and objectives established in the contract between the Fund and the investment manager shall occur unless agreed to in writing by the Board. Any deviation by the investment manager from the contract guidelines without the approval of the Board may lead to the termination of the investment manager. The investment guidelines in this section are separated by asset class and represent standard investment guidelines with which the Board is comfortable. As such, these guidelines represent a framework utilized when negotiating investment manager contracts. On a case-by-case basis, the Board may allow deviation within the contract from these standard guidelines. The contract guidelines shall always govern. Moreover, the investment manager and/or the investment consultant will inform the Investment Staff and Board of any compelling reason to change any of these guidelines due to investment market outlook or a change in the Fund’s structure or funding.

The investment guidelines established by contract between the Fund and the investment manager typically contain certain exposure limits (e.g. security exposure, company/issuer exposure, country/sector exposure, credit quality exposure, etc.). Investment managers shall never initiate a purchase or sale transaction that, at the time of purchase or sale, results in an exposure limit being exceeded. The following exceptions shall apply:

- During a reasonable investment period when significant additional capital is allocated to the investment manager by the Fund;
- During a reasonable liquidation period when significant capital is redeemed from the investment manager by the Fund; and
- During the liquidation stage of a closed-end private market investment.

If exposure limits are exceeded as a result of fluctuations in the market values of publically traded securities held in the portfolio, the investment manager does not need to immediately rebalance the portfolio if doing so is not deemed prudent by the investment manager. However, in this situation, the investment manager must alert the Investment Staff and investment consultant regarding the issue and present them with a reasonable plan as to how the investment manager will bring the portfolio back into compliance.

Each investment manager should immediately inform the Board, Investment Staff and the investment consultant in writing regarding all significant matters pertaining to the investment of assets. The Board, Investment Staff and investment consultant should be notified immediately of material changes in investment strategy or portfolio structure as well as other matters affecting the investment of the assets in accordance with the investment agreement entered into by the Fund and the investment manager. The Board, Investment Staff and investment consultant should also be informed immediately of any material changes in the ownership, affiliation, organizational structure, financial condition, or professional personnel staffing of the investment management organization.

The investment manager shall discharge its responsibilities in accordance with the fiduciary provisions contained within the Illinois Pension Code and investments shall be made for the exclusive benefit of the Fund, its participants and their beneficiaries.

General Guidelines (Equity and Fixed Income)

1. No use of private placements, venture capital, margin, leverage, securities not publicly traded, options, commodities, short sales, interest only, principal only, stripped mortgage-backed securities, forward contracts, future contracts or any other high risk/leveraged derivative investments unless written permission is granted by the Board.
2. All cash, interest earned and dividend payments shall be swept on a daily basis into an investment-grade short-term money market fund, cash vehicle or cash-equivalent vehicle. A mutually agreed upon sweep vehicle at the custodian will be utilized for this purpose.
3. Security purchase and sale transactions must be executed on a “best effort” basis with brokers or dealers selected by the investment manager. The manager’s selection of a broker or dealer shall take into account such relevant factors as: (a) price and commission; (b) the broker’s or dealer’s facilities, reliability and financial responsibility; and (c) the ability of the broker or dealer to effect securities transactions, particularly with regard to such aspects thereof as timing, order size and execution of orders. The manager shall make all reasonable efforts to obtain best execution. Included in the Illinois Pension Code is a requirement that a policy increasing the utilization of “minority broker-dealers” be adopted by Illinois pension funds covered under the Code. Subject to best execution and the investment manager’s fiduciary duty, the Board has set utilization goals encouraging the utilization of minority broker-dealers (40 ILCS 5/1-109.1). See *Appendix E: M/W/DBE Broker-Dealer Utilization Policy*.
4. Foreign currency exchange transactions shall be executed on a “best effort” basis with brokers or dealers as selected by the investment manager. The manager’s selection of a broker or dealer shall take into account such relevant factors as: (a) price and commission; (b) the broker’s or dealer’s facilities, reliability and financial responsibility; (c) bid/ask spread; and (d) the ability of the broker or dealer to effect foreign currency transactions, particularly with regard to such aspects thereof as timing, order size and execution of orders. The manager shall make all reasonable efforts to obtain the most competitive exchange rate.
5. The investment manager may not use any transaction involving the Fund’s assets for purposes of receiving hard or soft-dollars with the exception of receiving soft-dollar credits for research that is used in the investment management process and directly benefits the Fund. Obtaining any goods or services from any broker, dealer, or other person other than for the purpose of research is prohibited. Soft dollar arrangements involving the Fund’s assets must comply with Section 28(e) of the Securities Exchange Act of 1934 and must be disclosed.

U.S. Equity Manager Guidelines – Separate Account

1. The portfolio should be invested in marketable equity securities only.
2. The portfolio must seek to be fully invested at all times with a 5% maximum allowable cash exposure at any one point in time.
3. U.S. equity investments in any one company are limited to a maximum of 7% of the portfolio's overall allocation.
4. No investment shall be made in a foreign security without the prior, specific consent of the Board, unless the security is available in American Depositary Receipts (ADRs) on a U.S. exchange, is primarily or exclusively traded on a U.S. exchange, or is included in the assigned benchmark. ADRs are limited to no more than 10% of an individual investment manager's portfolio on a market value basis. A foreign security means a security issued by, or for the benefit of, any corporation, government, agency, or other organization that is not based in the United States, regardless of whether the return is payable in United States currency. Foreign security also means investment in a mutual fund or collective fund that invests primarily in the securities of foreign governments, agencies, or corporations.
5. No holding by an individual investment manager may represent more than 5% of the outstanding stock of the issuing company.
6. If in any calendar quarter the turnover of equity investments significantly exceeds historical or expected levels, the investment manager will promptly submit a detailed explanation of the trading activity. (Turnover shall be calculated as the ratio of the proceeds of equity sales to the market value of equities at the start of the quarter).

Non-U.S. Equity Manager Guidelines

1. The manager(s) are permitted to invest the Fund's assets in the common stock of non-U.S. corporations (or securities convertible into common stock) registered in countries represented in the assigned benchmark index.
2. If MSCI EAFE Mandate: The manager(s) is permitted to invest up to 20% of the portfolio in liquid securities primarily traded or domiciled outside of countries included in the MSCI EAFE Index. The primarily traded location is defined as the exchange where the majority of the issuer's equity is bought and sold. An issuer's domicile is determined by the location of their corporate headquarters or operations.
3. If MSCI Emerging Market Mandate: The manager(s) is permitted to invest up to 20% of the portfolio in liquid securities registered in countries that are not included in the MSCI Emerging Market Index.
4. The use of currency hedging is allowed only for defensive purposes.
5. Portfolio diversification by country, sector and security is required.
6. Investments in any one company may not comprise more than 5% of the portfolio's overall allocation.
7. Unless otherwise directed, the investment manager may only hold up to 10% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.
8. If in any calendar quarter the turnover of equity investments significantly exceeds historical or expected levels, the investment manager will promptly submit a detailed explanation of the trading activity. (Turnover shall be calculated as the ratio of the proceeds of equity sales to the market value of equities at the start of the quarter).

Investment Grade Fixed Income Manager Guidelines – Separate Account

1. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.
2. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.
3. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.
4. Investments in Rule 144a securities are permitted if *i*) the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii*) absent registration rights, a) the investment manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity, they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 5% of the portfolio's overall allocations.
5. The average duration of the portfolio is not to vary by more than +/-25% from the duration of the respective portfolio benchmark.
6. The average quality of the overall portfolio may not be less than AA rated. The investment manager will use the following methodology to determine compliance with quality:
 - If rated by Moody's/Standard & Poor's/Fitch, use middle ratings.
 - If only rated by two of the aforementioned agencies, use lower rating.
 - If only rated by one of the aforementioned agencies, use that rating.
7. If a security is downgraded to below investment grade by any of the rating agencies, the investment manager must promptly notify (within 30 days) the Investment Staff and the investment consultant of the situation and the investment manager's plan of action with regard to the security.
8. Derivative instruments are only permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps and options. Derivative instruments may be used for adjusting the duration, yield curve, volatility, or market risk exposure of the portfolio.
9. At no time may any derivative be utilized to leverage the portfolio for speculation.
10. No foreign securities will be allowed in the portfolio without prior approval by the Board. Canadian bonds and bonds included in the applicable benchmark are allowed.
11. Unless otherwise directed, the investment manager may only hold up to 15% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Core Plus Fixed Income Manager Guidelines – Separate Account

1. Non-Investment Grade securities (rated at or below Ba1 as defined by Moody's, BB+ as defined by Standard Poor's and BB+ by Fitch), preference shares, hybrid capital and convertible securities may not make up any more than 20% of the portfolio's overall allocation.

2. Non-U.S. dollar denominated securities may not make up any more than 20% of the portfolio's overall allocation. Emerging Market securities may not make up any more than 10% of the portfolio's overall allocation. Currency forwards are permitted. Currency forwards may be used for hedging purposes, as well as for outright active currency positions, irrespective of the underlying asset composition of the portfolio. Cross hedging is permitted. The net aggregate exposure to a single currency for non-hedging purposes, irrespective of whether it is long or short, cannot exceed 10% of the portfolio's overall allocations.
3. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.
4. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.
5. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.
6. Investments in Rule 144a securities are permitted if *i*) the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii*) absent registration rights, a) the manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 10% of the portfolio's overall allocations.
7. At no time may any derivative be utilized to leverage the portfolio for speculation. Derivative instruments are permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps, options and credit derivatives. Derivative instruments may be used for adjusting the duration, yield curve, volatility, sector, credit, market, or spread risk exposure of the portfolio. Swaps including credit derivatives may be used to adjust the portfolio's exposure to a market sector and/or to sell or buy protection on the credit risk of individual issuers or a blanket of individual issuers. Derivatives may be used as a substitute for buying or selling securities and for non-hedging purposes seeking to enhance potential gains.
8. The average duration of the portfolio is not to vary by more than +/-25% from the duration of the respective portfolio benchmark..
9. Manager will use the following methodology to determine compliance with quality:
 - If rated by Moody's/Standard & Poor's/Fitch, use middle rating.
 - If only rated by two of the aforementioned agencies, use lower rating.
 - If only rated by one of the aforementioned agencies, use that rating.
10. Collateralized Mortgage Obligations ("CMOs") are limited to Planned Amortization Class ("PAC") and sequential issues. Specifically prohibited are companion tranches or support bonds, floaters, inverse floaters, income only, principal only CMOs and structured notes. Principal leverage in CMOs or other structured bonds in the portfolio is prohibited.
11. Pooled, commingled, or mutual funds managed by the investment manager that follow investment strategies that are generally consistent with these guidelines are permitted investments, but may not comprise more than 20% of the overall portfolio. The investment guidelines for the pooled, commingled, or mutual funds as outlined in the contract, prospectus, or Private Placement Memorandum will supersede these guidelines.
12. Unless otherwise authorized, the investment manager may only hold up to 20% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

High Yield Fixed Income Manager Guidelines – Separate Account

1. The average quality of the overall portfolio may not be less than B rated. The following methodology is recommended to determine compliance with quality:
 - If rated by Moody's/Standard & Poor's/Fitch, use middle rating.
 - If only rated by two of the aforementioned agencies, use lower rating.
 - If only rated by one of the aforementioned agencies, use that rating.
2. Unrated investments may not comprise more than 10% of the overall portfolio.
3. Non-U.S. dollar denominated securities are allowed, but may not make up any more than 20% of the portfolio's overall allocations.
4. Emerging Market securities are allowed, but may not make up more than 10% of the portfolio's overall allocations.
5. Currency forwards are permitted. Currency forwards may be used for hedging purposes, as well as for outright active currency positions, irrespective of the underlying asset composition of the portfolio. Cross hedging is permitted. The net aggregate exposure to a single currency for non-hedging purposes, irrespective of whether it is long or short, cannot exceed 10% of the portfolio's overall allocations.
6. A non-government or non-agency single security may not comprise more than 3% of the portfolio's overall allocation.
7. Non-government or non-agency securities from any one issuer may not comprise more than 5% of the portfolio's overall allocation.
8. A single U.S. Government or U.S. Agency security may not comprise more than 10% of the portfolio's overall allocation.
9. Investments in Rule 144a securities are permitted if *i*) the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or *ii*) absent registration rights, a) the manager believes the securities to be as liquid as comparable publicly registered bonds, and b) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 10% of the portfolio's overall allocations.
10. At no time may any derivative be utilized to leverage the portfolio for speculation. Derivative instruments are permitted for hedging and efficient management of portfolio risk exposures subject to the investment policy and guidelines for the portfolio. Permitted derivative instruments include fixed income futures, swaps, options and credit derivatives. Derivative instruments may be used for adjusting the duration, yield curve, volatility, sector, credit, market, or spread risk exposure of the portfolio. Swaps including credit derivatives may be used to adjust the portfolio's exposure to a market sector and/or to sell or buy protection on the credit risk of individual issuers or a blanket of individual issuers. Derivatives may be used as a substitute for buying or selling securities and for non-hedging purposes seeking to enhance potential gains.
11. The average duration of the portfolio is not to vary by more than +/-50% from the duration of the respective index.
12. Collateralized Mortgage Obligations ("CMOs") are limited to Planned Amortization Class ("PAC") and sequential issues. Specifically prohibited are companion tranches or support bonds, floaters, inverse floaters, income only, principal only CMOs and structured notes. Principal leverage in CMOs or other structured bonds in the portfolio is prohibited.

13. Pooled, commingled, or mutual funds managed by the investment manager that follow investment strategies that are generally consistent with these guidelines are permitted investments, but may not comprise more than 20% of the overall portfolio after accounting for price appreciation. The investment guidelines for the pooled, commingled, or mutual funds as outlined in the contract, prospectus, or Private Placement Memorandum will supersede these guidelines.
14. Unless otherwise directed, the investment manager may only hold up to 20% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Unleveraged Senior Secured Loans Fixed Income Manager Guidelines – Separate Account

1. Investments will be primarily in senior secured bank loans, including revolving loans, delayed draw loans, second lien loans and debtor-in-possession (“DIP”) facilities (“Senior Secured Bank Loans”). Manager may purchase other secured bank-debt type investments as appropriate given the investment objectives agreed to by contract.
2. At no time may any derivative be utilized to leverage the portfolio for speculation.
3. A single security may not comprise more than 5% of the overall portfolio.
4. Manager shall seek to maintain an average quality of the overall portfolio of at least B/B2 as rated by Standard & Poor’s and Moody’s. Manager shall notify the Board, Investment Staff and investment consultant promptly if the average portfolio quality falls below B/B2. Manager will use the following methodology to determine compliance with quality:
 - If rated by Moody’s/Standard & Poor’s/Fitch, use middle ratings.
 - If only rated by two of the aforementioned agencies, use lower rating.
 - If only rated by one of the aforementioned agencies, use that rating.
5. Second lien loans may not comprise more than 20% of the overall portfolio.
6. Unrated investments may not comprise more than 5% of the overall portfolio.
7. No foreign securities will be allowed in the portfolio without prior approval by the Board.
8. Unless otherwise directed, the investment manager may only hold up to 15% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

Cash Manager Guidelines – Separate Account

1. The purpose of the short-term fixed income account is to be used for benefit payments and other short-term financial obligations of the Fund.
2. At no time may any interest only (I.O.), principal only (P.O.), inverse floaters, or any other derivative be purchased or utilized.
3. At no time may any Rule 144a securities be purchased or utilized.
4. Non-US government or non-US agency securities from any one issuer may not comprise more than 5% of the portfolio’s overall allocation.
5. Foreign securities will not be allowed without prior consultation with and approval by the Board.
6. The expected average life for a security cannot exceed eighteen months.
7. The average quality of the overall portfolio should be no less than AA (mid-grade rating) rated.
 - In the event of a split rating, use the lower rating.

8. An issue must have a rating of at least A- or the equivalent short-term money market rating.

Guidelines Relating to Commingled Funds, Mutual Funds, Collective Funds, Pooled Funds, Limited Partnerships or Other Similarly-Structured Vehicles

Commingled funds, mutual funds, collective funds, pooled funds, limited partnerships or other similarly-structured vehicles may be used from time to time. Such investment vehicles utilized by the Fund must adhere to the written objectives and guidelines as established in the contract, prospectus, or Private Placement Memorandum. If at any time the investment manager managing such investments deviates from these guidelines or investment objectives, the investment manager must immediately (within 5 days) notify the Investment Staff and investment consultant.

INVESTMENT MANAGER SELECTION PROCESS

If the Board decides, with assistance from the investment consultant and Investment Staff, to conduct an investment manager search, the Board will follow the procedures identified in *Appendix C: Investment Manager and Consultant Procurement Policy*. In evaluating investment managers for inclusion in the selection process, the Board will evaluate, at a minimum, the following:

- Investment manager ownership and organizational strength.
- Investment professional(s) tenure.
- Well-articulated and consistent application of investment philosophy and process.
- Portfolio characteristics relative to benchmark.
- Sector weightings relative to benchmark.
- Consistent long-term outperformance relative to benchmark and peer universe.
- Portfolio's long-term risk/reward profile compared to benchmark and peer universe.
- Investment management fees relative to competing managers and industry averages.

In accordance with Illinois Pension Code (40 ILCS 5/1-109.1), the Board has adopted a policy setting forth goals for utilization of emerging investment managers. The Board's policy is included as an appendix to the Investment Policy Statement (see: *Appendix D: M/W/DBE Emerging Investment Manager Utilization Policy*).

In consideration of the State of Illinois' policy in the Illinois Pension Code (40 ILCS 5/1A-108.5) encouraging pension funds to promote the economy of Illinois through the use of economic opportunity investments, the Fund will consider such investments to the greatest extent feasible within the bounds of financial and fiduciary prudence.

ASSET ALLOCATION

Upon advice from the investment consultant and Investment Staff, the Board shall adopt an appropriate asset allocation target. The Board, Investment Staff and investment consultant will review the asset allocation at least annually and consider changes as deemed prudent. The current target asset allocation is included in this policy as *Appendix A: Target Asset Allocation*.

Although it is the Board's intention to maintain an allocation within the long-term allocation target ranges, the Board may choose to allow the current allocation to remain outside the target range if it believes market conditions warrant doing so. For risk control purposes, allocations will be allowed to deviate by no more than +/- 2% outside target allocation ranges.

The Board recognizes that certain allocations are illiquid in nature (Private Equity, Real Estate, etc.). Because of this, these allocations may remain outside the target range for extended periods of time.

LIQUIDITY NEEDS & PORTFOLIO REBALANCING

The operating cash flow needs of the Fund often require the liquidation of investment assets on a monthly basis. The Board has delegated to the Chief Investment Officer, in conjunction with the investment consultant, the authority to

liquidate assets, as necessary, to meet the monthly operating obligations. Liquidity will be primarily drawn from asset classes that exceed their respective allocation targets to help move the Fund's overall asset allocation closer to target allocations specified in *Appendix A*. Since the Fund's liquidity needs are typically known in advance, the Investment Staff will make a reasonable effort to present the Board with the liquidation plan and attain the Board's consent to liquidate at the Board meeting prior to the date on which the liquidation of assets is initiated. Should circumstances arise where it is impractical or impossible to receive prior consent from the Board, the Chief Investment Officer shall exercise his authority to liquidate assets and will report the liquidity event to the Board at its next regularly scheduled Board meeting.

Should the regular monthly liquidity events associated with benefit payments not be sufficient to keep the portfolio in line with the target allocations, the Fund's portfolio may need to be rebalanced by shifting assets from one asset class to another. In these instances, the investment consultant and Investment Staff will bring a rebalancing plan to the Board for its approval. Upon approval by the Board, the Investment Staff will work to transition the assets.

COST MANAGEMENT

Active versus Passive Management

The Board utilizes both active and passive management. Active management is utilized in an attempt to exceed the performance of a certain index by a mutually-agreed-upon level, net of fees. Passive management is utilized to mimic the performance of a specific index. Active management is more expensive than passive management. The Board utilizes active management when it believes there is inefficiency in the market or there is a strong probability of achieving a net return premium over the associated index.

Management Fees

Investment management fees are agreed upon during contract negotiations between the Fund and the investment manager. The Board strongly prefers that a 'most favored nation' clause be included in all contracts. The Board will periodically require the review of all management fee structures to confirm that they compare favorably to prevailing market rates.

Transition Management

Rebalancing the Fund's portfolio requires purchasing and/or selling securities. In an attempt to minimize costs, the investment consultant and/or Investment Staff establishes a plan regarding what assets are to be transitioned, how they will be transitioned and when the transition will occur. A pre-transition planning process helps keep transition costs to a minimum.

Steps to minimize transition costs include:

1. Utilizing third-party transition managers that serve in a fiduciary capacity to manage the process when prudent
2. Scheduling transitions such that they coincide with other significant cash flow events when prudent
3. Utilizing "in-kind" transfers when prudent
4. Utilizing lower cost trading platforms when prudent
5. Utilizing cross-trade opportunities when prudent
6. Utilizing discount brokerage opportunities when prudent

Transitions are evaluated by comparing post-trade analysis reports to pre-trade estimations and objectives.

In situations where a third-party transition manager is utilized, selection of transition managers is normally made by the investment manager unless the transition need is based on the termination of an investment manager, in which case Investment Staff will select the provider of transition management services.

Other Fees

The Board periodically commissions the investment consultant and Investment Staff to review fees and policies related to brokerage, foreign exchange and utilization of other third-party services to ensure that the fees being assessed to the Fund are competitive.

CORPORATE GOVERNANCE

Proxy Voting

Unless the Fund directs the voting of a particular proxy, each investment manager shall have full discretionary authority and responsibility to exercise the proxy voting rights related to securities held on behalf of the Fund. As fiduciaries, investment managers shall exercise voting rights in a manner consistent with the economic best interest of the Fund, its participants and their beneficiaries. Each investment manager shall avoid conflicts-of-interest in exercising voting rights.

On an annual basis (by January 31st of each year), each investment manager shall provide the Investment Staff with a copy of its proxy voting policy and a written report detailing each proxy vote made during the prior calendar year.

Securities Litigation (Class Actions) Policy

The Board invests in both equity and fixed income instruments of various public companies. As an investor in public companies, there are times when the Fund may be an investor in a company facing a class action lawsuit relating to a possible violation of federal or state securities laws. If the Fund was an investor within the determined claim period in a company facing a class action lawsuit, the Fund becomes a putative member of the class and would participate in any proceeds derived from the suit. The Fund's custodian provides class action filing and reporting services pertaining to class action suits filed in the U.S. court system.

The Fund periodically receives solicitations from litigating law firms seeking to represent the Fund in filing for lead plaintiff status in class action lawsuits. The Board currently has signed agreements with such firms. The Board, after being informed of the specifics of a potential suit and the Fund's estimated losses as determined by such firms, may make the decision to submit the Fund's name for consideration as lead plaintiff. Separately, these firms review the Fund's investment holdings on a monthly basis and identify opportunities for participation in class action settlements.

BOARD AUTHORITY TO IMPOSE INVESTMENT RESTRICTIONS

From time-to-time, the Board may impose certain investment restrictions at the overall Fund level that shall be instituted in addition to mandate-specific restrictions found in individual investment manager contracts. Subject to an investment manager's exercise of fiscal and fiduciary duty, the investment manager shall comply with such restrictions. See *Appendix F: Restrictions on Investment* for a current list of such restrictions.

ENFORCEMENT

The Board expects every fiduciary of the Fund to comply with this Investment Policy Statement. If for any reason any party acting in a fiduciary capacity is unable to comply with the Investment Policy Statement, that party shall immediately notify the Board in writing. More specifically, if any investment manager or the investment consultant concludes that any aspect of this statement is inappropriate or will unnecessarily inhibit performance, the investment manager or investment consultant is obligated to notify the Board rather than fail to comply. Failure to comply with the Investment Policy Statement may be cause for termination.

CONCLUSION

This document sets forth the Fund's Investment Policy Statement with regard to the investment of Fund assets under the Illinois Pension Code. It also explains the Board's fiduciary responsibility to the Fund, its participants and their beneficiaries. This document and its attached appendices are effective as of the date adopted by the Board. This document is available on our website at www.meabf.org. To receive a hard copy of this document or for further inquiries, please contact:

Chief Investment Officer
Municipal Employees' Annuity and Benefit Fund of Chicago
321 North Clark Street, Suite 700
Chicago, Illinois 60654
P: (312) 236-4700
Email: cio@meabf.org

AMENDMENTS TO THE INVESTMENT POLICY STATEMENT

The Board of Trustees may, at its discretion, modify or withdraw this Investment Policy Statement at any time. If changes are made to the Investment Policy Statement, the Board shall file a copy of the new policy with the Illinois Department of Insurance within 30 days as specified in the Illinois Pension Code. [40 ILCS 5/1-113.6]

Adopted and Approved: the _____ of _____, _____.

APPENDICES

Appendix A: Target Asset Allocation

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Traditional:			
Fixed Income:			
Broad Fixed Income	13%	15%	17%
High Yield	3%	5%	7%
Bank Loans	3%	5%	7%
Total Fixed Income	20%	25%	30%
U.S. Equity:			
Large-Cap	9%	16%	23%
Mid-Cap	3%	5%	7%
Small-Cap	3%	5%	7%
Total U.S. Equity	21%	26%	31%
Non-U.S. Equity:			
Developed Market, Large-Cap	10%	12%	14%
Non-U.S. Small-Cap	3%	5%	7%
Emerging Market	3%	5%	7%
Total Non-U.S. Equity	17%	22%	27%
Alternative:			
Real Assets:			
Real Estate	7%	10%	13%
Infrastructure	0%	2%	4%
Total Real Assets	9%	12%	15%
Hedge Funds	3%	5%	7%
Defensive Equity	3%	5%	7%
Private Equity	3%	5%	7%

Appendix B: Policy Benchmark

25%	Barclays Capital U.S. Aggregate Index (Fixed Income)
26%	Wilshire 5000 Index (U.S. Equity)
22%	MSCI ACWI ex US Index (Non-U.S. Equity)
5%	HFRI Fund-of-Funds (Hedge Funds)
5%	CBOE S&P 500 PutWrite Index (Defensive Equity)
5%	Venture Economics Private Equity Index (Private Equity)
10%	NFI ODCE (Real Estate)
2%	LIBOR + 4% (Infrastructure)

Appendix C: Investment Manager and Investment Consultant Procurement Policy

The Board has established a procurement policy for the selection and appointment of investment managers and investment consultants that provide investment services to the Board. This policy (a) outlines the competitive process established by the Board in selecting investment managers and investment consultants and (b) specifies the respective roles of the Board, Fund staff and investment professionals utilized in each stage of the selection process. The policy also incorporates the Board's goal regarding inclusion of minority owned businesses, female owned businesses, and businesses owned by a person with a disability within the selection process. This policy is not meant to limit the Board's right to modify current mandates, rebalance the Fund's portfolio when prudent, or make follow-on investments to current mandates.

Exceptions

The following investment services shall be exempt from this policy:

- A) Sole source procurements
- B) Emergency procurements
- C) At the discretion of the of the Board, non-renewable, one-year contracts not exceeding \$20,000

Exceptions shall be posted on the Fund's website, which shall include the person authorizing the procurement and a brief explanation of the reason for the exception.

Selection and Appointment Process for Investment Managers

- A) **Notification of Intent to Conduct Search (specific to Private Equity, Real Estate and Other Similarly-Structured Investment Vehicles)**
Within certain asset classes (primarily private equity and closed-end real estate), investment managers raise capital during specific periods of time. Given the nature of these types of investments, the Fund will make a reasonable attempt to post on its website, at or near the end of each calendar year, the Fund's intentions regarding new investments over the next year in private equity, real estate, and other similarly-structured investment vehicles. Investment managers raising capital in relevant asset classes during this time period are encouraged to keep the Fund's investment consultant abreast of the timing of such investment opportunities.
- B) **Initiation of Search Process:**
 - a. Initiation – The Board initiates an investment manager search by a motion at an open meeting of the Board.
 - b. Notice – Notice for an investment manager search shall be posted on the Fund's website at least fourteen (14) days prior to the solicitation response due date.
 - c. Availability of Search Documents – The solicitation document for a search shall be available on the Fund's website.
- C) **Solicitation Document:**
Documents utilized to solicit investment management services shall include, but not be limited to:
 - a. A description of the services being procured and an estimate of the amount of assets to be awarded
 - b. Listing of relevant dates
 - c. Description of contract scope
 - d. Required qualifications
 - e. Evaluation factors
 - f. A copy of the Fund's Investment Policy Statement (respondents must acknowledge receipt)
 - g. If applicable, the Fund's standard investment management agreement, otherwise a list of the standard contract requirements.
 - h. List of investment manager disclosure requirements
 - i. Investment Manager Information
 - 1. Firm name and address
 - 2. Parent company
 - 3. Subsidiaries or entities with a controlling interest

4. Executive officers
5. Owner or receiver of distributive interest in excess of 7.5%
- ii. Subcontractor assignments
 1. Name and address of subcontractors (Investment managers must agree to notify the Fund if, during the term of the contract, a subcontractor is added or changed)
 2. Estimated size of assignment and fee structure
- iii. Required disclosures by applicable laws, including, but not limited to, the Illinois Compiled Statutes (40 ILCS 5/1-113.21), as amended.
- i. Proposed management fee structure

D) Questions Relating to the Solicitation:

Questions regarding the solicitation shall be submitted in writing by the investment manager to the designated point of contact by the date stated within the search document(s). Shortly thereafter, the Fund will post responses to all questions on its website.

E) Evaluation Process:

- a. Submissions determined responsive and received by the stated deadline shall be recorded and received.
- b. Investment consultant and/or Investment Staff shall review and evaluate against search specifications.
- c. Investment consultant and/or Investment Staff shall identify the most qualified firms.
- d. Investment consultant and/or Investment Staff will make a reasonable attempt to verify information submitted and resolve or confirm any discrepancies.
- e. A list of all responses will be provided to the Board.
- f. Profiles of the most qualified firms will be distributed to the Board for discussion.
- g. The Board reserves the right to select finalists that will be invited to present to the Board.

F) M/W/DBE Investment Managers:

For the purposes of this policy, “emerging investment manager” and “minority investment manager” shall have the meaning ascribed to them in 40 ILCS 5/1-109.1(4) and (9), respectively.

In the search process, the Board encourages the investment consultant to utilize qualification criteria that support the inclusion of “emerging investment managers” and “minority investment managers”.

The Board further encourages the investment consultant to proactively identify to “emerging investment managers” and “minority investment managers” that satisfy the search requirements.

If in any case an “emerging investment manager” or “minority investment manager” that submitted a proposal for consideration meets the requirements for a specific search, then that “emerging investment manager” or “minority investment manager” shall receive an invitation to present to the Board. In the case where multiple “emerging investment managers” or “minority investment managers” meet the criteria of the search, the most qualified firm or firms shall be selected to present to the Board.

G) Quiet Period:

To ensure that respondents have equal access to information, that communications are consistent and accurate, and that the solicitation process is efficient, diligent and fair, a quiet period shall:

- a. Commence upon the passage of a motion authorizing a search.
- b. Prohibit communication between Board members (the decision-makers) and responding firms regarding any product or service relating to the solicitation.
- c. Prohibit the acceptance of any meals, travel, lodging, entertainment or any other good or service from the respondent by the Board, Fund staff, or investment consultant.

Respondents may be disqualified if a willful material violation of the quiet period is determined to have occurred. The quiet period does not prevent a Board member from attending Board approved meetings or conferences.

- H) **Awarding, Negotiating and Notice of Agreement:**
- a. Awarding of Mandate – The Board shall award one or more firms the mandate after the evaluation process is complete. The Board’s selection will be based on an evaluation of the firm’s qualifications, governing law and rendered solely in the interest of the Fund, its participants and their beneficiaries. Evaluation criteria will include the quality of the investment team, the firm’s investment philosophy, the firm’s synergy in relation to other existing mandates, the historical performance of the firm and the total cost of services to be provided.
 - b. Negotiation of Agreement – The Board authorizes the Fund’s Executive Director and/or the Chief Investment Officer to negotiate agreements with the selected firms. The agreement shall include the requirements set forth in Section 1-113.14(c) of the Illinois Pension Code. If unable to negotiate a satisfactory agreement, the Board may select another investment manager from the group of qualified finalist.
 - c. Notice of Agreement - After executing a contract and funding the mandate, the following information shall be posted on the Fund’s website:
 - i. Name of firm(s) receiving the award
 - ii. Size of mandate
 - iii. Fee schedule
 - iv. Summary of factors that contributed to the Board’s selection

Selection and Appointment Process for Investment Consultants

The selection and appointment process for investment consulting services will be conducted by the Investment Staff at the direction of the Board and shall comply with all applicable laws including, without limitation, the provisions of the Illinois Pension Code, as amended and be substantially similar to the selection and appointment process for an investment manager.

The term of a rewarded contract for investment consulting services shall not exceed five (5) years.

Amended February 19, 2015.

Appendix D: M/W/DBE 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
Total investment assets	20% to 30%
By asset class	
a. Equity	15% to 25%
b. Fixed income	15% to 25%
c. Alternatives	10% to 20%
By ownership classification	
a. Minority	12% to 18%
b. Woman	03% to 07%
c. Disabled	01% to 02%

40 ILCS 5/1-109.1(4) defines “emerging investment manager” as “a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a ‘minority owned business’, ‘female owned business’ or ‘business owned by a person with a disability’ as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.”

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
By ownership classification	
a. Minority	14% to 20%
b. Woman	03% to 07%
c. Disabled	01% to 02%

40 ILCS 5/1-109.1(9) defines "minority investment manager" as “a qualified investment manager that manages an investment portfolio and meets the definition of ‘minority owned business’, ‘female owned business’, or ‘business owned by a person with a disability’, as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act.”

These goals shall be reviewed annually.

Amended January 22, 2015.

Appendix E: M/W/DBE Broker-Dealer Utilization Policy

Based on the Illinois Pension Code, the Fund must adopt a policy that sets forth goals increasing the utilization of “minority broker-dealers”. Minority broker-dealer shall mean a qualified broker-dealer who meets the definition of "minority owned business", "female owned business", or "business owned by a person with a disability", as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act. The Board encourages the use of minority broker-dealers and sets goals, by asset class, regarding their use. In the event that new asset classes are added to the Fund’s portfolio, the Board will consider setting or revising applicable minority broker-dealer utilization goals prior to funding any new mandate associated with that asset class. Even where specific minority broker-dealer utilization goals are not set or do not apply, the Board encourages the investment managers to make a best-efforts attempt to utilize minority broker-dealers. Compliance with this policy will be considered part of an investment manager’s overall performance. Non-compliance may result in a manager being placed “on watch” for performance reasons. Continued non-compliance can result in the termination of the investment manager.

Investment managers are required to act as fiduciaries when investing Fund assets. As fiduciaries, investment manager decisions are made for the exclusive benefit of the Fund, its participant and their beneficiaries. Investment managers are required to search for “best execution” in selecting brokerage firms for trade execution services. The Board defines best execution as achieving the best possible terms of execution while taking into account both explicit and implicit trading costs. The investment manager’s selection of such brokers shall be in accordance with Article 1 of the Illinois Pension Code (40 ILCS 5/1-101 et seq.), the Investment Advisers Act of 1940 and any other applicable securities laws, rules and regulations.

The asset class specific utilization goals and reporting requirements are as follows:

Equity Managers: Subject to best execution, in accordance with the goals and objectives of the account agreement, each investment manager who manages equities on behalf of the Board in non-commingled accounts shall make every effort to adhere to the following policy goals of the Board:

40% of total domestic equity trading, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis.

20% of total international equity trading within mandates dealing predominantly in developed market securities, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis.

10% of total international equity trading within mandates dealing predominantly in emerging market securities, measured in commission dollars, shall be executed with minority broker-dealers on a calendar year basis.

Managers shall not utilize indirect methods, such as “step-out” commissions, to achieve these goals. Trades executed utilizing electronic trading platforms that are not competitively provided by minority broker-dealers shall be excluded from the trading goals.

Each manager shall submit a monthly progress report to Fund’s Investment Staff following the end of each month that details all trading activity with minority broker-dealers. Progress reports shall also be included in the manager’s quarterly performance report to the Board. Annually, the manager will submit a compliance report that will be reported to the Board. The reports shall separate information by broker-dealer and include:

1. Total shares traded, total trading commissions and average commission cost per share
2. Total shares executed at a commission rate that includes services in addition to execution services; description of additional services provided.
3. List of all forms of payments made to minority broker-dealers, including but not limited to, trading execution commissions, step-out commissions, research purchased and soft dollar credits purchased.
4. Explanation if trading activity is not in compliance with Board objectives.

Fixed Income Managers: Subject to best execution, in accordance with the goals and objectives of the account agreement, each manager that manages fixed income securities on behalf of the Board in non-commingled accounts shall make every effort to initiate trading activity in accordance with the following policy objectives of the Board:

25% of trading volume (based on par value) in U.S. investment grade fixed income securities traded in secondary markets shall be with minority broker-dealers on a calendar year basis.

When purchasing new issue securities, the manager will make every effort to utilize minority broker-dealers who are part of the underwriting syndicate selling the new issues.

Each manager will submit a monthly progress report to Investment Staff following the end of each month that details trading activity with minority broker-dealers. Progress reports will also be included in the manager's quarterly performance report to the Board. Annually, the manager will submit a compliance report that will be reported to the Board. The reports shall separate information by broker-dealer and include:

1. Total volume of securities traded by broker-dealer, based on par value.
2. Explanation if trading activity is not in compliance with Board objectives.

Appendix F: Restrictions on Investment

From and after the effective date of this policy, the restrictions on investment found in Appendix F of this Investment Policy Statement shall govern.

The Board requires investment managers to adhere to the restrictions set forth below with respect to publically traded equity and fixed-income securities that are actively managed through separate accounts.

Unless the Fund provides its investment managers with a list of specifically restricted investments, it shall be the responsibility of the investment manager to determine a reasonable basis by which to identify such restricted investments and make a reasonable effort to adhere to such restrictions.

Assault Weapon Manufacturers

Subject to an investment manager's exercise of fiscal and fiduciary duty, investment managers should refrain from purchasing or holding securities of an assault weapon manufacturer if the manager determines that the same investment goals concerning risk, return and diversification can be achieved through the purchase or holding of another security. For purposes of this policy, "assault weapon" shall mean a weapon identified as an assault weapon the civilian possession of which is prohibited by the Municipal Code of Chicago or the laws of the State of Illinois and "assault weapon manufacturer" shall mean any entity that manufactures assault weapons prohibited for civilian use and derives revenue from their sale.

These Assault Weapon Manufacturer restrictions shall expire, by their terms, on June 30, 2019, unless extended by further Board action.

Appendix G: Form of Investment Manager Annual Compliance Certificate

**MUNICIPAL EMPLOYEES', OFFICERS' AND OFFICIALS'
ANNUITY & BENEFIT FUND OF CHICAGO**

INVESTMENT MANAGER ANNUAL COMPLIANCE CERTIFICATE

As a duly authorized officer of _____ (the "Investment Manager"), I hereby certify to the Retirement Board of the Municipal Employees', Officers' and Officials' Annuity and Benefit Fund of Chicago ("MEABF") that I have reviewed the following:

1. All contractual agreements between the MEABF and the Investment Manager pertaining to MEABF's investment in the following product or fund:

(the "Investment"); and
2. MEABF's Investment Policy Statement dated April 22, 2014, as same may have been amended from time to time; (collectively, the "Requirements").

In addition, to the best of my knowledge and after diligent review of the documents stated herein, I hereby certify to the Retirement Board of the MEABF that during the calendar year ending December 31, 20XX, the Investment Manager and the Investment were in compliance with the applicable Requirements. I further certify, to the best of my knowledge, that the Investment Manager was in compliance during the year ending December 31, 20XX with Rule 206(4)-5 (Political Contributions by Certain Investment Advisers) of the Investment Advisers Act of 1940.

Date: _____

By: _____

Name: _____

Title: _____