Fire and Police Employees' Retirement System  
City of Baltimore  
Statement of Investment Objectives and Policies

I. System Objectives

The Fire and Police Employees' Retirement System of the City of Baltimore ("System"), which began operation as of July 1, 1962 was established to provide retirement, disability and death benefits to sworn uniformed officers of the Baltimore City Fire Department and Police Department and their designated beneficiaries.

II. Fiduciary Duties of the Board of Trustees

A. The Board of Trustees for the Fire and Police Employees' Retirement System ("Board") shall have full power to invest the assets of the System. The Board and its appointed fiduciaries shall discharge their duties with respect to the assets solely in the interest of the participants and beneficiaries; for the exclusive purpose of providing benefits to participants and their beneficiaries and defraying reasonable expenses of administering the System; with care, skill, prudence, and diligence under the circumstances then prevailing that a prudent professional acting in a like capacity and familiar with these matters would use in the conduct of an enterprise of a like character and with like aims; and by diversifying the investments of the System so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

B. In recognition of the importance of prudent investment of System assets to both the City and the System’s members, the Board, as primary fiduciary of the System, shall periodically review the asset management and actuarial characteristics of the System to ensure that investments are managed in a manner that is consistent with the retirement objectives of the System’s members.

C. In exercising its fiduciary responsibility with respect to the investment of the assets, the Board shall give weight and consideration to investments that enhance the general welfare of the City and its citizens where the investments offer quality, return, and safety comparable to other investments currently available to the Board, and provided that such investments conform to investment guidelines promulgated by the Board. The Board shall also give weight and consideration to investments that involve Minority Business Enterprises or Women Business Enterprises and investments located in the Baltimore City Metropolitan Area, where those investments offer quality, return and safety comparable to other investments currently available to the Board, and provided that such investments conform to investment guidelines promulgated by the Board.
D. In exercising its fiduciary responsibility with respect to the selection of Investment Managers with whom the Board may contract for the investment of the funds, the Board shall give weight and consideration to Investment Managers that have offices in the Baltimore City Metropolitan Area, where those Investment Managers’ qualifications and competencies are comparable to those of other candidates for Investment Manager under consideration by the Board. The Board shall also give similar weight and consideration to candidates for Investment Manager that are Minority Business Enterprises and/or Women Business Enterprises or emerging managers, where the Investment Managers’ qualifications and competencies are comparable to those of other candidates for Investment Manager under consideration by the Board.

For purposes of this Statement of Investment Objectives and Policies, the terms “Minority Business Enterprise or Women Business Enterprise” shall mean firms that are domiciled in the United States and are at least 51% owned and operated by one or more individuals who are women and/or African Americans, Hispanic Americans, Asian Americans, or Native Americans. “Emerging Manager” shall mean firms that are domiciled in the United States with assets under management between $200 million and $5 billion, where the principals of the firm have at least 10 years of relevant investment management experience in a similar manner.

For purposes of this Statement of Investment Objectives and Policies, the term, “Baltimore City Metropolitan Area,” shall mean Baltimore City, Anne Arundel County, Baltimore County, Harford County and Howard County.

III. Statutory Investment Responsibilities of the Board

Article 22 of the Baltimore City Code defines the powers and duties of the Board and sets forth guidelines with regard to asset management policies and investment alternatives. Under the Code, the Board is empowered to make certain decisions and take appropriate action regarding the investment management and custodianship of the System’s assets. Investment responsibilities of the Board include:

A. Hiring an Investment Consultant to act as consultant to assist the Board in all aspects of the investment process;

B. Establishing reasonable investment objectives and developing appropriate investment policy guidelines, including establishing an appropriate asset allocation target and restrictions on asset classes and managers, that are consistent with the laws of the City of Baltimore and that permit achievement of System objectives;

C. Communicating investment policy guidelines and objectives to
D. Selecting Investment Managers; and

E. Monitoring and evaluating performance results to assure that policy guidelines are being adhered to and that System objectives are being met.

IV. Investment Committee

The Board created an Investment Committee, consisting of a subset of the full Board, that is responsible for advising and making recommendations to the full Board with respect to general investment policy. Outlined in separate guidelines, the duties of the Investment Committee include formulating and recommending investment policies to the Board and evaluating the investment performance of the Investment Managers responsible for the System’s assets.

V. General Investment Objectives

The primary investment objectives of the System are set forth below. It is recognized that maximizing any one objective may compromise the achievement of other objectives. For example, maximizing liquidity may reduce investment return; seeking maximum investment return may subject capital preservation to higher risk. Accordingly, the investment objectives are given in descending order of priority:

A. To preserve the capital value of the System adjusted for inflation;

B. To ensure adequate liquidity to meet benefit liabilities as they fall due;

C. To meet the actuarial interest rate assumptions over the longer term while maintaining appropriate risk levels; and

D. Without unduly jeopardizing the above objectives, to exceed the investment return objective by the astute management of System assets.

VI. Discretionary Authority

The System must comply with investment restrictions imposed by the laws of the City of Baltimore and any other state or federal laws dealing with investment of public retirement plan assets. Investment Managers are expected to familiarize themselves with these laws. Within that framework and within the following limitations, the Investment Manager has the discretion to make portfolio changes to accomplish the stated objectives.

Each Investment Manager retained by the Board will be responsible for making all investment decisions on a fully discretionary basis regarding all assets placed under its control and will be held accountable for achieving the investment objectives indicated. Such discretion shall include decisions to buy, hold, and sell securities in
amounts and proportions that are reflective of the Investment Manager’s investment strategy compatible with this Statement of Objectives and Policies, the System's

Investment Guidelines and consistent with specific Investment Manager Instructions provided to each Investment Manager, or in the case of any type of commingled fund, consistent with that fund’s investment objectives and guidelines. In the event System assets are invested in any type of commingled investment vehicle, including but not limited to: mutual funds, commingled trusts, limited partnerships, or limited liability companies, the stated investment policies, restrictions and objectives of such commingled investment vehicle shall apply.

The Investment Managers will construct and manage investment portfolios consistent with the investment philosophy, style and discipline for which they were retained. They will also execute trades and allocate brokerage commissions according to Sections XIV and XV of this Policy, unless otherwise exempted or a commingled investment vehicle as stated above. Accordingly, other than Communication and Reporting requirements herein, commingled investment vehicles are not required to alter their stated investment policies, restrictions and objectives to conform to the specific requirements of the System.

VII. Risk

The Board judges the question of risk to be categorized into groups of concerns including potential loss of capital, volatility and variability of returns, credit or bankruptcy, liquidity and diversification. These are applied to the market, sectors of the market and individual issues. To a varying degree each of these points is addressed implicitly or explicitly in different sections of this Policy, the Board’s several Investment Guidelines, and Instructions to Investment Managers but, for clarity, they are summarized as follows:

A. Capital Loss - Preservation of the value of capital is of major concern. It is the Investment Manager’s responsibility to avoid, or at least minimize losses.

B. Volatility and/or Variability of Returns - For passive Investment Managers, tracking error around the underlying benchmark is expected to be no more than 1% (1.2% for passive fixed income managers). For active Investment Managers, while excessive volatility is to be avoided, portfolio volatility shall remain consistent with the style for which they were retained and reasonable relative to the underlying benchmark.

C. Credit or Bankruptcy - Credit quality shall be appropriate to the strategy and style for which the Investment Manager was retained. Unless part of a distressed security/company strategy, securities of companies in bankruptcy should be avoided.

D. Liquidity - To ensure the flexibility necessary to take defensive action where appropriate, unless otherwise allowed, positions should be in issues
with sufficient trading volume or float so as to facilitate, under most market conditions, prompt sale without severe market effect.

E. Diversification - All investment portfolios shall be well diversified according to each Investment Manager’s internal guidelines to avoid excessive exposure to any single country, geographic area, economic sector, industry group, individual security or issuer.

F. Currency – International Investment Managers of actively managed separate accounts must demonstrate sensitivity to currency risk. The foreign currency exposure of the System may be hedged back to the U.S. dollar using forward foreign exchange contracts or currency swaps. From 0% to 100% of the foreign currency exposure of a portfolio may be hedged. Cross-hedging to a currency other than the U.S. dollar may reach 25% of the total portfolio. Currency speculation is not permitted. The major commercial and investment banks used for hedging transactions must be rated A or better by Standard & Poor's, or Moody's, or Fitch.

VIII. Exposure to Cash

Fixed income, equity, real asset and alternative asset Investment Managers manage a portion of the System’s total assets designated for their respective asset classes and investment style. Under most conditions, it is expected that the portfolio will be fully invested in the asset class which they are hired to manage. However, each Investment Manager will retain discretion over its asset mix to take defensive action when the Investment Manager believes that extremely adverse market conditions prevail. If, as a matter of strategy, the Investment Manager of a separately managed account believes that remaining fully invested at less than 5% cash presents risk to the portfolio and desires to reduce the active asset class commitment of the portfolio to below 95%, the Investment Manager must provide written notification of such policy to the Executive Director of the System. This requirement does not apply to commingled investment vehicles as the stated investment policies and restrictions of these vehicles shall apply.

IX. General Investment Policy

Investment policy for the System relates to the portfolio of all assets that comprise the total holdings of the System. The Board recognizes that the objective of a sound and prudent policy is to produce investment results that will preserve the assets of the System, as well as to maximize earnings of the System consistent with its long-term needs. These long-term needs have been ascertained through various studies performed on behalf of the Board by its actuary and its Investment Consultant. Investment policy and the long run average allocation of plan assets to which they refer are deemed to be consistent with the projected pattern of cash flows to the System and its projected benefit payments. Should the projected finances of the System change significantly, or changes in applicable Federal or State statutes dictate, or changes in the System’s asset valuation methods be adopted, these policies and average asset allocations will be reviewed and modified by the action of the Board, if appropriate.
X. **Asset Allocation**

In general, the Board recognizes that large pools of assets must be diversified over several different asset classifications in order to reduce risk. Pursuant to an asset liability study and subsequent asset allocation reviews conducted by the Investment Consultant and adopted by the Board, the broad asset allocation has been established as an overall objective for the total investments of the System; such asset allocation is shown on Attachment A hereto.

The asset allocation is a strategic allocation. The long term target allocation percentage and permitted range for each asset class shall be based upon the most recent asset liability study performed by the Investment Consultant approximately every 3-5 years, or subsequent asset allocation reviews and as adopted by the Board. Both the target allocations and permitted ranges should be adhered to under normal circumstances. However, because the target allocations and permitted ranges are long-term in nature, periodically the asset mix may fall outside the target or permitted range. Dollar-cost-averaging, managing liquidity needs, portfolio transition or other cases where the Board determines deviation from the target or range is in the best interest of the System are permitted exceptions. The above statement should in no way be interpreted to imply that tactical asset allocation or market timing and is not viewed as such by the Board.

XI. **Portfolio Rebalancing**

A. Until such time as the Board changes its broad asset class targets, a routine rebalancing of the various portfolios back to the target allocation shall be implemented as necessary. The first tool used to achieve this rebalancing shall be regular cash flows. After that, Investment Manager cash and portfolio liquidation shall be used.

B. When market experience significantly moves the portfolio allocation outside the permissible range, the Board will consider any necessary action to rebalance back to the target allocation. Priority of rebalancing shall be asset class before style or individual Investment Manager.

C. Investment Managers considered by the Board to be on a “watch list” for whatever reason may be excluded from receiving additional assets in any rebalancing.

XII. **Performance Measurement**

It is expected that the System as a whole shall achieve an annualized total rate of return, net of fees, over a market cycle (generally 3-5 years) which:

A. Meets or exceeds the actuarial investment return assumption;

B. Meets or exceeds the return of a Policy Index, such index being comprised as shown on Attachment A hereto reflecting the Board’s broad allocation
decision across asset classes. Changes to the Policy Index over time shall begin with the implementation of allocation or strategy change.

XIII. Manager Watch List

While the Board intends to fairly evaluate portfolio performance of its various Investment Managers, it will also review other aspects of the relationship with each Investment Manager. From time to time, when in the Board’s opinion a significant or material adverse event occurs, that Investment Manager will be placed on a “watch list”. Any Investment Manager being placed on the watch list shall be notified by the Board before the Board initiates an investigation and assessment by the Investment Consultant of the nature, issue, and appropriate course of action to be recommended to the Board.

Examples of adverse events include, but are not limited to, the following:

A. Significant changes in firm ownership and/or structure;
B. Loss of one or more key personnel;
C. Significant loss of clients and/or assets under management;
D. Shifts in the firm’s philosophy or process;
E. Significant and persistent lack of responsiveness to client requests;
F. Regulatory investigations;
G. Persistent underperformance of specified benchmarks;
H. Chronic violations of this Policy, the Board’s Investment Guidelines or instructions to an Investment Manager; or
I. Any other issue or situation of which the System’s Staff, Consultant and/or Board become aware that is deemed material by them.

Generally, once a determination by the Board has been made to put an Investment Manager on the watch list, the Investment Consultant shall identify and discuss the issue(s) involved and make a recommendation within 60 days to the Board as to the appropriate course of action. The Investment Consultant’s recommendation may include: taking no action; removing the Investment Manager from the watch list; increased in-person meetings with the Investment Manager; formal re-interview of the Investment Manager by the Board; continuation on the watch list with increased scrutiny; termination; or any other action appropriate for the issue. Generally, no Investment Manager should remain on the watch list for greater than one year.

XIV. Brokerage

As part of its fiduciary responsibility, it is imperative that the Board maintain a prudent policy pertaining to brokerage commissions paid on securities transactions. This policy supersedes any prior brokerage policy.

Discretion

It is the intention of the Board that all securities transactions be effected through brokerage firms to the best advantage of the System regarding price and execution.
The Board recognizes that brokerage commissions vary with investment styles and philosophies; some transactions are more or less difficult to execute than others. The Board hereby delegates discretion over placement and execution of securities transactions to its Investment Managers, however; unless otherwise exempted by the Board in writing, Investment Managers of separate accounts are subject to the following considerations. Managers of commingled vehicles are encouraged to keep the Board’s philosophy regarding brokerage, as stated below, in mind when trading.

Discount Brokerage

Given that some transactions are less difficult to execute than others and that large discount brokers are positioned to efficiently execute more easily executed trades at highly competitive commission rates, the Board encourages Investment Managers to use large discount brokers in securities transactions for the System when the objective of best price and execution will not be compromised.

Electronic Crossing Networks

The Board believes that electronic crossing networks (ECN’s) are an increasingly efficient and cost-effective means of equity trading. In evaluating whether to use an ECN in a particular trade, the Board’s equity Investment Managers should carefully analyze the System’s projected brokerage commission costs as well as market impact with regard to that transaction.

Average Annual Brokerage Commission Cost

All investment transactions shall be executed on a best price, best execution basis. All active domestic equity Investment Managers shall manage the commissions paid by the System to not exceed an annual average target of 3 cents per share for large capitalization portfolios and 4.5 cents per share for small/mid capitalization portfolios. Each Investment Manager, as part of its quarterly reporting requirements, shall include in its quarterly report its average cost per share for the trailing quarter, year-to-date, trailing 12-month period, and a detailed explanation as to why average commissions may have exceed the target during the applicable reporting period. The annual average brokerage commission cost shall also be reviewed with the Board during the Investment Manager’s annual presentation to the Board. Investment Managers chronically failing to meet their annual average commission per share target may be directed to execute trades through competitive commission recapture services.

International Investment Manager Brokerage Commissions

Notwithstanding the above average annual brokerage requirement for Domestic Equity Investment Managers, each International Equity Manager is expected to execute trades with discount brokerage firms that will generate brokerage rebates on 30% of all commission business on behalf of the Systems consistent with the
principles of best price and best execution. International Emerging Markets Equity Managers are exempt from this rebate requirement.

Soft Dollar Brokerage

The Board recognizes that "Soft Dollar" Commissions are allowed under Section 28(e) of the Securities and Exchange Act of 1934 (commonly referred to as the “Safe Harbor” provisions). However, there is significant controversy surrounding the use and proper allocation of soft dollars by Investment Managers. The Board therefore requires its Investment Managers to provide accounting of any soft dollar transactions involving securities of the System. These reports shall be provided on a quarterly basis as part of its quarterly reporting requirements, and shall include the number of shares traded, the total dollar amount of soft dollar commissions during the quarter, the brokerage firms to which soft dollar commissions were directed, and an explanation of the goods or services received and how that supports the investment process which the System utilizes.

XV. Directed Brokerage

Investment Managers of separate accounts are expected to give first preference whenever possible to local brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises with offices located in the Baltimore City metropolitan area. Accordingly:

A. Each Large Capitalization Domestic Equity Investment Manager is expected to direct 25% of its commission business on behalf of the System through brokerage firms with offices located within the Baltimore City metropolitan area, with at least 10% of this 25% local brokerage requirement being directed through brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises located within the Baltimore City metropolitan area.

B. Each Small and Middle Capitalization Domestic Equity Manager is expected to direct 10% of its commission business on behalf of the System through brokerage firms with offices located within the Baltimore City metropolitan area, with at least 5% of this 10% local brokerage requirement being directed through brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises located within the Baltimore City metropolitan area.

C. Each International Equity Manager is expected to direct 10% of its commission business on behalf of the System through minority-owned or woman-owned brokerage firms.

D. Each Fixed Income Investment Manager is expected to utilize a brokerage firm with offices located within the Baltimore City metropolitan area in at
least 25% of the total dollar amount of all fixed income transactions, with at least 10% of this 25% local brokerage utilization requirement being directed through brokerage firms that are Minority Business Enterprises and/or Women Business Enterprises located within the Baltimore City metropolitan area. For purposes of this local brokerage utilization requirement, trades can be executed through another branch office of the brokerage firm outside of the Baltimore City metropolitan area as long as the office within the Baltimore City metropolitan area receives credit for the trade. The above stated numerical objectives are intended to provide a minimum goal for utilization, with the expectation that Investment Managers will exert best efforts to exceed the minimum requirements. Even while complying with this directed brokerage commission policy, Investment Managers are required to achieve best price and best execution on every trade. Investment Managers are instructed to notify the Board if it is found that any local or Minority Business Enterprise and/or Women Business Enterprise brokerage firm cannot provide best execution.

XVI. Communications and Reporting

Each Investment Manager should note that the System operates on a fiscal year basis, from July 1st through June 30th; therefore, all monthly and quarterly performance reports should be prepared on a fiscal year basis. The Board requires continual awareness of the System’s activity and position, both absolute and relative. To accomplish this, the reports described below should be sent to the Board as stated. Although the reporting requirements described below pertain primarily to long-only separate accounts, investment managers of alternative investment strategies (such as hedge fund-of-funds, private real estate or other real asset funds, and private equity funds), should comply with the spirit of this section and include the requested information to the extent applicable in their monthly and quarterly reports to the Board. In addition, the Investment Guidelines and Investment Manager Instructions for alternative investment strategies may outline additional reporting requirements tailored to the particular asset class or strategy.

A. Monthly Reports

1. For actively managed separate accounts, the custodian bank will provide to the Board, Investment Managers and to the System’s Investment Consultant detailed accounting statements including summary transaction registers, and a list of assets with month-end market values, estimated annual income, accrued income and bond maturity, coupon, quality and sector diversification schedules. For commingled funds, the custodian bank will provide accounting statements showing month-end net asset value of each investment unit and the number of units held. Investment Managers must reconcile their statements with the custodian bank’s statement on a monthly basis and use the custodian bank’s on-line system to assist in the reporting reconciliation process.
2. Each Investment Manager will submit to the System’s Executive Director on a monthly basis reconciled reports in sufficient detail so that staff is apprised of portfolio status and of any change in philosophy or investment strategy. At a minimum, the reports, which must be on numbered pages, should contain the following detailed information for the System’s account or commingled fund in which the System is invested:

   a. A listing of assets with historical cost and market valuations by security and in total;
   b. Holdings by sector segmentations;
   c. Performance results for the month, quarter-to-date, fiscal year-to-date, trailing 1,3, and 5 years and since inception;
   d. New positions established during the reporting period;
   e. Previous positions eliminated during the reporting period;
   f. Top ten holdings; and
   g. Ten best and worst performing securities during the reporting period.

3. Investment performance should be reported on both on a gross- and net-of-fee basis.

B. Quarterly Reports

1. Information Required

   Each Investment Manager will provide to the Board and Investment Consultant quarterly written reports which present, at a minimum, the same detail listed above that is required for monthly reports. In addition, quarterly reports must present the following information:

   a. Dealings with minority and women-owned brokers and businesses;
   b. Brokerage information required by Sections XIV and XV above if applicable;
   c. Firm composition specifying majority, minority, and women personnel by management category;
   d. Material changes in personnel or firm composition, especially with regard to any changes in minority/women personnel and any personnel assigned to the strategy utilized by the System;
   e. Proxy voting summary (including voting and record dates, ballot issues, votes taken, and shares voted) for the System’s account or commingled fund in which the System is invested;
   f. Number of clients and asset size of accounts gained or lost for the strategy invested in by the System; and
   g. List of securities required by Section XVII, The Sudan Divestment Policy.
2. Brokerage Report

In order to assist the Board in tracking compliance with their brokerage policies, Investment Managers are required to provide, in conjunction with the information required by sections XIV and XV above, a quarterly summary report of the brokerage activity for the System or commingled fund in which the System is invested showing a breakdown by firm of amounts and percentages of brokerage commissions, commissions and discounts through recapture brokers and through City of Baltimore majority, minority-owned, and woman-owned brokerage firms, if applicable. These reports should also reflect fiscal year-to-date amounts and percentages.

3. Report of Firm Officers and Directors Serving as Directors of Publicly Traded Companies for the purpose of full disclosure for any perceived or potential conflict of interest, Investment Managers are required to report quarterly information regarding the firm’s policy, firm officers and directors serving as directors of publicly traded companies, and System and firm investments in those companies. The report must set forth:

a. The Investment Manager’s Policy

The Investment Manager’s written policy governing the ability of firm officers and directors to serve as directors of publicly traded companies. Any changes to the policy are to be noted quarterly; or a statement that no written policy exists.

b. Information about Directors

For Investment Manager officers and directors serving as directors:

i. The date the Investment Manager officer or director became a director of the publicly traded company;

ii. The name of the officer or director; and the name of the publicly traded company; or

iii. A statement that no Investment Manager officer or director serves as a director of a publicly traded company.

c. Information on System Investments

Information regarding System investments made by the Investment Manager in publicly traded companies of which an Investment Manager officer or director serves as a director, to include for any securities purchased or sold for the System or commingled fund in which the System is invested:
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i. Transaction dates;
ii. Number of shares, with regard to equity securities;
iii. Par value, with regard to fixed income securities;
iv. Cost basis;
v. Sales proceeds;
vi. Gains and losses on the sale of any security;
vii. Par value, cost, or market value of securities held at the end of each quarter; or
ix. A statement indicating that the System is not invested in any of the publicly traded companies of which an Investment Manager officer or director serves as a director.

d. Information on Investment Manager-Wide Investments

Information regarding investments made firm-wide by the Investment Manager in publicly traded companies of which an Investment Manager officer or director serves as a director, to include as of the end of each quarter:

i. Number of shares, with regard to equity securities;
ii. Par value, with regard to fixed income securities;
iii. Cost basis;
iv. Market value;
v. The Investment Manager’s percentage of ownership in the company; or
vi. A statement indicating that the Investment Manager is not invested in any of the publicly traded companies of which a firm officer or director serves as a director.

4. Report Submission

Written quarterly reports are to be submitted within 30 days of the end of each quarter (September 30th, December 31st, March 31st, and June 30th) and mailed directly to the members of the Board, the System’s Executive Director, Accounting Manager and sent via email to the System’s Investment Consultant. For private investments the dates shall be 45 days for quarterly reports and 90 days for annual audited financial statements. The System will supply each Investment Manager with current mailing lists. When necessary, revised lists will be sent to each Investment Manager.

5. Investment performance should be reported on both on a gross-and net-of-fee basis.

C. Annual Most-Favored Nation Fee Compliance Report

On July 1 of each year, the Investment Manager shall certify, by letter of its legal counsel or compliance officer, compliance with the most-favored nation fee clause in its Investment Management Agreement.
D. Performance Review Presentation before the Board of Trustees

It is the Board’s intention to formally review Investment Manager performance on a periodic basis. Investment Managers are expected to meet regularly with the Board as it may request or the Investment Consultant to discuss performance results, economic outlook, investment strategy, organizational changes, and other pertinent matters.

Meetings with the Investment consultant may be made either in person or by teleconference/video conference.

When an Investment Manager is scheduled to personally appear before the Board, the written quarterly reports are to be mailed directly to the members of the Board of Trustees, the Executive Director, the Accounting Manager and sent via email to the System’s Investment Consultant at least one week in advance of the appearance date. Ten additional copies of the reports should also be mailed to the System one week prior to the appearance date. If the additional copies cannot be delivered in this manner, then the reports can be personally delivered on the appearance date. The additional copies are only required for review meetings with the Board and are not required any other time. Investment Manager performance should be reported on both on a gross- and net-of-fee basis with regard to all reports submitted to the Board.

E. Telephone and Written Communication

Immediate telephone and written communication should be made by the Investment Manager to the Executive Director and Investment Consultant when information of an important nature, such as unusual market activity (oil embargo, monetary crisis, SEC Regulatory issues, etc.) may have a material impact on the System’s assets.

Material changes in personnel and organizational structure should also be communicated in writing to the Executive Director.

XVII. Sudan Divestment

It is the stated policy of the Board, in respect to System assets within its control and consistent with its fiduciary responsibilities and duties, with due consideration for investment return, to not participate in an ownership or capital–providing capacity with governments and entities that provide support for genocide and terror, namely the Republic of Sudan and companies doing business in Sudan. In addition, as a matter of City policy, the Baltimore City Council has directed the Board to divest from Sudan in Ordinance 07-570, amending Article 22, Section 35(a)(1) of the Baltimore City Code. Accordingly, investment managers of separate accounts hired by the Board are hereby directed to comply with the following divestment provisions of the F&P law:
A. Definitions

In this paragraph (1) the following words have the meanings indicated.

1. “Company” means any corporation, utility, partnership, joint venture, franchisor, franchise, trust, entity, investment vehicle, financial institution, or its wholly-owned subsidiary.

2. “Divestment action” means selling, redeeming, transferring, exchanging, or otherwise disposing or refraining from further investment in certain investments.

3. “Doing business in Sudan” means maintaining equipment, facilities, personnel, or other apparatus of business or commerce in Sudan, including ownership of real or personal property in Sudan, or engaging in any business activity with the Government of Sudan.

4. “Sudan” means the government in Khartoum, Sudan, that is led by the National Congress Party (formerly known as the National Islamic Front) or any successor government formed on or after October 13, 2006, including the coalition National Unity government agreed on in the comprehensive Peace Agreement for Sudan. “Sudan” does not include the regional government of southern Sudan.

5. “Actively managed separate account” means the accounts of the System that are actively managed at the direction of the Board of Trustees and held in separate accounts.

“Actively managed separate account” does not include:

a. Indexed funds;
b. Private equity funds;
c. Hedge funds;
d. Real estate funds; and
e. Other commingled or passively managed funds.

B. Investment Managers – Quarterly Reports

1. Each Investment Manager engaged by the Board will provide to the Board quarterly written reports presenting a list of:

a. Securities of companies under management doing business in Sudan; and

b. Securities or instruments issued by Sudan held by the Investment Manager, in which System funds are invested.

2. In preparing reports required in this paragraph (1), an investment manager shall reference the U.S. Department of the Treasury’s Office of Foreign
3. Assets Control, Institutional Shareholder Services, or other list approved by
the Board of Trustees.

C. Divestment Action by Board

Consistent with the fiduciary duties of the Board of Trustees under Article 22,
and the provisions of paragraph (1) of Section D, the Board of Trustees may
take divestment action in actively-managed separate accounts with regard to
investments in:

1. Any bank or financial institution that makes loans to the Republic of
   Sudan;
2. A national corporation of Sudan; and
3. The stocks, securities, or other obligations of any company doing
   business in or with Sudan.

D. Factors for Board to Consider in Deciding Whether to Take Divestment
Action

In determining whether to take divestment action under paragraph (1) of Section
C with regard to the investment of funds in actively-managed separate accounts
in a company doing business in Sudan, the Board of Trustees may consider the
following:

1. Revenues paid by a company directly to the government of Sudan;
2. Whether a company supplies infrastructure or resources used by the
government of Sudan to implement its policies of genocide in Darfur or
other regions of Sudan;
3. Whether a company knowingly obstructs lawful inquiries into its operations
   and investments in Sudan;
4. Whether a company attempts to circumvent any applicable sanctions of the
   United States;
5. The extent of any humanitarian activities undertaken by a company in
   Sudan;
6. Whether a company is engaged solely in the provision of goods and services
   intended to relieve human suffering, or to promote welfare, health, education,
or religious or spiritual activities;
7. Whether a company is authorized by the federal government of the United
   States to do business in Sudan;
8. Evidence that a company has engaged the government of Sudan to ease its
   abuses in Darfur or other regions in Sudan;
9. Whether a company is engaged solely in journalistic activities;

10. The economic impact of the divestment from the portfolio; and

11. Any other factor that the Board of Trustees deems prudent.

E. Investment Manager to Provide Company with Notice of Divestment Action

If the Board of Trustees takes divestment action under Section C, with respect to investments in a company, the Board of Trustees shall direct the investment manager to provide the company with written notice of its decision and reasons for the decision.

F. Board of Trustees – Annual Report

On or before October 1 of each year, the Board of Trustees shall submit a report to the City Council that provides:

a. All divestment actions taken by the Board in accordance with paragraph (1) of Section C;

b. A list of those companies doing business in Sudan and of those securities or instruments issued by Sudan, as reported to the Board by its investment managers under paragraph (1) of Section B., from which the Board has not divested; and

c. Other developments relevant to investment in companies doing business in Sudan.

G. Expiration of Sudan Divestment Policy

The Sudan Divestment Policy shall be automatically abrogated if the President of the United States rescinds or repeals Executive Order 13067 or the United States Congress lifts all economic sanctions against the Republic of Sudan.

XVIII. Amendments

If at any time these objectives cannot be met, or these guidelines constrict performance, the Board should be notified in writing. The Investment Manager is encouraged to suggest changes to these guidelines at any time.
XIX. **Acceptance**

By signing and continuing acceptance of these Investment Objectives and Policies, the Investment Manager concurs with the provisions of this document.

Accepted by:

_______________________________________________________  
Name

_______________________________________________________  
Firm

_______________________________________________________  
Date
STATEMENT OF INVESTMENT OBJECTIVES AND POLICIES
THE FIRE & POLICE EMPLOYEES' RETIREMENT SYSTEM

Adopted 1/12/89, Revised 6/24/99, 10/5/00, 8/14/01, 10/9/01, 2/12/02, 3/11/04, 7/20/06
(Changes adopted to Asset Allocation at the 5/16/06 Board Meeting),
Reviewed and Approved: 1/27/07.
(Changes adopted to include Sudan Divestment at the 3/20/07 Board Meeting)
Reviewed and approved: 1/15/08 (Changes to include Sudan Divestment based on Ord. 07-570 of 2007)
Reviewed and Approved 05/13/08 (Changes to asset allocation)
Reviewed and Approved 10/21/08 (Changes to asset allocation)
Reviewed and Approved 11/18/08 (Name change to Barclays)
Reviewed and Approved 1/13/08
Reviewed and Approved 2/17/09 (Policy Change)
Updated and approved 1/18/11
Updated and approved 1/17/12
Updated and approved 1/15/13
Amended and approved 1/21/14
Amended and approved 1/20/15
Amended and approved 3/21/17
Amended and approved 05/15/2018 (changes to Asset Allocation and Policy index 3/1/2018)
## ATTACHMENT A

### Asset Allocation

<table>
<thead>
<tr>
<th>Asset Category</th>
<th>Target % of Total Fund at Market Value</th>
<th>Permitted Range at Market Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Domestic Equity</td>
<td>22.5%</td>
<td>+/- 5%</td>
</tr>
<tr>
<td>International Equity</td>
<td>24.5%</td>
<td>+/- 5%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>10.0%</td>
<td>+/- 5%*</td>
</tr>
<tr>
<td>Natural Resources: Public &amp; Private</td>
<td>10.0%</td>
<td>+/- 5%*</td>
</tr>
<tr>
<td>Fixed Income</td>
<td>13.0%</td>
<td>+/- 5%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>10.0%</td>
<td>+/-10%*</td>
</tr>
<tr>
<td>Hedge Funds</td>
<td>10.0%</td>
<td>+/- 5%</td>
</tr>
<tr>
<td>Cash Equivalents</td>
<td>&lt;1.0%</td>
<td></td>
</tr>
</tbody>
</table>

*Measured on market value invested as opposed to market value committed

### Policy Index (as of March 1, 2018)

22.5%  Russell 3000 Index (Domestic Equity)
24.5%  MSCI All Country World Ex U.S. Index (International Equity)
10%    Private Equity Composite
5%     Private Energy/Natural Resources Composite
5%     S&P MLP Total Return Index (Energy MLPs)
13%    Bloomberg Barclays US Universal Index (Fixed Income)
10%    NCREIF Property Index (Real Estate)
10%    HFRI Fund of Funds Composite Index (Hedge Fund of Funds), and
<1%    Citigroup 3 month T-Bill