POLICEMEN’S ANNUITY AND BENEFIT FUND
OF CHICAGO
INVESTMENT POLICY MANUAL

Updated August 1, 2017

Section 1

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STATEMENT OF INVESTMENT POLICY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted July 22, 1983
Revised March 27, 1984
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Revised April 23, 1987a
Revised November 22, 1991
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Revised February 24, 2000
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Revised January 31, 2013
Revised February 28, 2013
Revised October 24, 2013
Revised March 12, 2014
Revised November 17, 2014
Revised February 22, 2016
Revised March 22, 2016

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to defray the reasonable expenses of administering the Fund (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, may appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the Fund (40 ILCS 5/1-109.1(1)(a)); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The following Statement shall describe the investment policy for the Fund:

Investment Philosophy

The Fund's overall investment policy is based upon the following principles established by the Board:

1. Maintain a long-term investment horizon for the Fund; and

2. Emphasize equity investments to enhance long-term return; and

3. Diversify investments across several asset classes.

Distinction of Responsibilities

The Board assumes the responsibility for establishing the investment policy (as described more fully in the following sections) that is to guide the Fund's investments. The investment policy describes the degree of investment risk that the Board deems appropriate.

The Board may appoint one or more investment managers as fiduciaries to manage the assets of the Fund and execute the Fund's investment policy. Investment managers appointed to execute the Fund's investment policy must invest the Fund's assets in accordance with the Fund's investment policy and any applicable statutes, but may apply their own judgments concerning relative investment values. In particular, investment managers are accorded full discretion, within the Fund's investment policy limits, to (1) select individual investments and (2) construct portfolios to achieve the investment manager's individual mandated objective for the Fund.

Allocation of Assets

It is the Board’s policy to invest the Fund's assets in the following proportions:

	Long-Term Allocation Percentages		
Asset Class	Long-Term	Min	Max
U.S. Equity	21.0%	10.0%	32.0%
Non-US Equity	20.0%	WIP	WIP
Equity (Total)	41.0%	WIP	WIP
Fixed Income & Cash	22.0%	WIP	WIP
Tactical & Alpha Strategies	19.0%	WIP	WIP
Real Assets	4.0%	WIP	WIP
Alternatives (Total)	23.0%	WIP	WIP
Private Equity	7.0%	WIP	WIP
Infrastructure	2.0%	WIP	WIP
Real Estate	5.0%	WIP	WIP
Private Capital (Total)	14.0%	WIP	WIP

No contract, oral or written, for investment services, consulting services, or commitment to a private market fund shall be awarded unless such investment advisor, consultant, or private market fund first makes the following disclosures set forth in 40 ILCS5/1-113.21, as amended from time to time: (1) the number of its investment and senior staff and the percentage of such persons who are a (i) minority person, (ii) female, and (iii) person with a disability; (2) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant or private market fund has with a (i) minority owned business, (ii) female owned business, or (iii) business owned by a person with a disability; and (3) the number of contracts, oral or written, for investment services, consulting services, and professional and artistic services that the investment advisor, consultant or private market fund has with a business other than a (i) minority owned business, (ii) female owned business, or (iii) business owned by a person with a disability, if more than 50% of services performed pursuant to the contract are performed by a (i) minority person, (ii) female, and (iii) person with a disability. The disclosures required by this paragraph shall be considered by the Board, within the bounds of financial and fiduciary prudence, prior to the awarding of a contract, oral or written, for investment services, consulting services, or commitment to a private market fund.

Diversification

In order to minimize the impact of large losses and to reduce annual variability of returns, the Fund’s Assets shall be allocated across major asset classes and diversified broadly within each asset class.

Liquidity

Benefit payments are expected to exceed contributions for a number of years. When cash is needed to make benefit payments, marketable securities shall be liquidated from those asset classes that are above their policy ranges to help bring the allocations closer to their targets. If all allocations are within the policy ranges, the availability of cash and the cost of liquidating securities shall be used as primary determinants as to the source of liquidity.

Relatively illiquid investment media such as venture capital partnerships, real estate holdings, and private capital investments may be made within prescribed limits, with due consideration regarding their impact on overall liquidity requirements, and when the excess expected return is sufficient to compensate the Fund for reduced liquidity.

It is the Board's intention to maintain the current allocation within the long-term allocation target ranges. However, the Board appreciates the illiquid nature of some of the Fund's investments and acknowledges that several years may be needed to rebalance certain asset classes, especially in alternative investments (Opportunistic, Real Estate, Private Equity and Infrastructure).

Asset Rebalancing

Compliance with the Fund's investment policy may require a periodic adjustment, or rebalancing, of assets among asset classes and investment managers to conform with investment policy targets.

Rebalancing shall bring the allocation of the Fund's assets within range limits, assuming a target portfolio is available to transfer the assets.

The Board, at times, may choose to allow the actual asset allocation to remain outside the rebalancing ranges if they believe market conditions warrant it. For risk control purposes, the absolute allocation shall be limited to an additional +/- 2 percentage points outside the current rebalancing ranges.

Rebalancing is expected to take place within a reasonable amount of time to accommodate cost and liquidity constraints.

Active Equity Mandates:

- Rebalance to 5% when an equity active mandate allocation is more than 6.5% of the Fund's total assets ("Total Fund Assets").

- Rebalance to 7.5% when a fixed income active mandate strategy allocation is more than 9% of Total Fund Assets.

- Rebalance when the Fund has more than 10% exposure to a single firm/business entity.

Investment Objectives and Performance Evaluation

The investment objective is to achieve a rate of return consistent with the investment policy stated above. Over reasonable measurement periods, the rate of total return earned on Total Fund Assets shall be compared with:

Starting November 2014, the return of the Policy Portfolio comprised Russell 1000 Index - 15%; Russell 2000 Index - 6%; MSCI EAFE Index - 14%; MSCI EME Index - 6%; BC Aggregate Index - 13%; BC Global Aggregate Index - 4%; Libor+3% - 5%;Thompson One All Private Equity Lag - 7% ; CPI + 500 bps – 2% (for Infrastructure); HFRI Fund of Funds Composite Index - 7%; NCREIF Property Index 1Qtr Lag – 5%; 60% MSCI ACWI (net)/40%WGBI) – 12%; Dow-Jones – UBS Commodity TR – 2%; BC Global Inflation Linked U.S. Tips – 2%.

Prior allocations can be found in the "Supplemental Information," section 13.

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Section 3

GUIDELINES FOR ADMINISTERING THE INVESTMENT POLICY OF THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted August 27, 1992
Revised March 21, 1994
Revised August 18, 1995
Revised August 22, 1996
Revised February 24, 2000
Revised April 27, 2001
Revised March 24, 2008
Revised April 22, 2010
Revised February 23, 2012
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to defray the reasonable expenses of administering the Fund (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, may appoint one or more investment managers as fiduciaries to manage (including the power to acquire and dispose of) any assets of the Fund (40 ILCS 5/1-109.1(1)(a)); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The following document outlines the procedures for rebalancing the Fund's assets to conform to the asset-allocation percentages established by the Board.

Responsibility

The Fund's Chief Investment Officer shall consult, as needed, with consultants in reviewing and evaluating all relevant information and determining the appropriate reallocation of the Fund's assets. The Chief Investment Officer shall be responsible for rebalancing Fund's assets, as needed, to conform to asset-allocation percentages specified in the Fund's Statement of Investment Policy as follows:

	Long-Term Allocation Percentages		
Asset Class	Targets	Min	Max
U.S. Equity Passive Large Cap	8.0%	3.0%	13.0%
U.S. Equity Active Large Cap	7.0%	4.0%	10.0%
U.S. Equity Active SMID Cap	6.0%	3.0%	9.0%
*U.S. Equity Subtotal**	*21.0%*	*10.0%*	*32.0%*
Non-U.S. Equity	20.0%	WIP	WIP
Equity (Total)	41.0%	WIP	WIP
Fixed Income & Cash†	22.0%	WIP	WIP
Tactical & Alpha Strategies	19.0%	WIP	WIP
Real Assets	4.0%	WIP	WIP
Alternatives (Total)	23.0%	WIP	WIP
Private Equity	7.0%	WIP	WIP
Real Estate	5.0%	5.0%	9.0%
Infrastructure	2.0%	WIP	WIP
Private Capital (Total)	14.0%	WIP	WIP

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* To the extent that international equities, private equity, real estate, and opportunistic strategies allocations differ from their targets, the asset allocation target and range for U.S. common stock should be adjusted accordingly.

† To the extent that infrastructure allocation differs from its target, the asset allocation target and range for fixed income should be adjusted accordingly.

Frequency

The Chief Investment Officer shall review the Fund's conformance with the investment policy on a monthly basis. The Chief Investment Officer shall obtain from the Fund's custodian the most recent values for all investment accounts/managers employed by the Fund and shall review the asset allocation of the all of the Fund’s investments as soon as practical after the previous month-end.

Objective

The overall objective of asset rebalancing is to ensure the Fund's asset allocation conforms closely to the policy targets established by the Board, while minimizing transactions costs. To accomplish the rebalancing, the Chief Investment Officer may employ the following:

- cash inflows and outflows;
- allocation opportunities arising from manager hirings, terminations, reallocations in accordance with prior Board actions;
- current income; and
- cost-free transfers to and from index funds.

The Chief Investment Officer shall employ the above-stated methods, to the extent they are available, to bring the Fund's asset allocation back in line with the policy targets. If, however, transactions are required that would result in transactions costs to the Fund, the Chief Investment Officer shall rebalance the Fund’s assets to conform to the asset allocation range limits set forth above in the Fund's Statement of Investment Policy.

Communication to the Board

The Chief Investment Officer shall notify the Board on a monthly basis of any rebalancing activity.

Transition Plan to implement Long-Term Targets – Effect on Policy Portfolio

As the Fund seeks to achieve its long-term target for the opportunistic strategies, private equity, real estate, and infrastructure asset classes, the Fund shall continue to treat such asset’s “policy weight” as its “actual weight.” The long-term target less the remaining portion shall be allocated according to the following:

- To the extent that real estate, infrastructure, and private equity allocations differ from those of their targets, the asset allocation target and range for U.S. common stock shall be adjusted accordingly.

- To the extent that opportunistic strategies allocation differs from its target, the asset allocation target and range for bonds and U.S. equity shall be adjusted pro-rata, with bonds making up 80% of the difference and U.S. equity making up the remaining 20% difference.

Section 4
ASSET STRATEGY STATEMENTS

STRATEGY FOR INVESTING IN U.S. EQUITY

Adopted September 25, 1992
Revised June 23, 2005
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

The Fund shall seek to participate in the long-term growth of U.S. industries by broad diversification in U.S. common stocks.

The Fund shall use passive investments to gain broad, highly diversified, low-cost market exposure to the domestic stock market. This core of passive investments shall be supplemented with active managers in an attempt to add value above the market return. The current target for passive management is 50% of U.S. Equity assets.

The domestic stock component's overall exposure shall be similar to that of the overall market based on style (value, core and growth) as well as capitalization (small, mid and large). Such a structure shall prevent significant biases developing in the portfolio that may increase the volatility of returns and hurt performance over certain periods. Passive style indices may also be used at times to alleviate style biases in the portfolio.

Performance Benchmark

Russell 3000 Index.

STRATEGY FOR INVESTING IN NON-U.S. EQUITY

Adopted July 23, 1992
Revised August 22, 2000
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- The Fund shall invest broadly within the non-U.S. stock market.

- The Fund shall not make an explicit policy commitment to invest in emerging markets, but shall allow active managers that have skill and experience investing in these markets to do so on a limited basis.

- The current target for passive management is 33% of Non-U.S. Equity assets.

Performance Benchmark

MSCI ACWI Ex. U.S.

STRATEGY FOR INVESTING IN PRIVATE EQUITY

Adopted July 23, 1992
Revised August 22, 1996
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Private equity investments shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- The Fund may invest in fund-of-funds, high-quality venture capital partnerships, private equity investments, direct private placements, and secondary interests in venture capital partnerships, small-capitalization securities and corporate re-organization funds (i.e. LBO, management buy-out, and mezzanine financing funds).

- The Fund's private equity investments shall be diversified by time, investment stage, geography, and industry.

- The Fund may also invest in other forms of private equity on an opportunistic basis.

Performance Benchmark

Thomson One All Private Equity Lag.

STRATEGY FOR INVESTING IN FIXED INCOME

Adopted July 23, 1992
Revised May 23, 1993
Revised May 16, 1996
Revised June 23, 2005
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- The Fund shall invest broadly within the domestic bond market and allow active managers to opportunistically invest in non-U.S. bonds as set forth in the investment manager guidelines.

- The Fund's bond investments shall be primarily investment-grade quality (Baa or better). Certain active managers shall be allowed to opportunistically invest in non-investment grade bonds on a tactical basis as set forth in the investment manager guidelines.

- The Fund shall use commingled vehicles for passive investments in order to obtain diversification and reduce investment management costs. The percentage of passive management will be determined by the availability of appropriate active management strategies and the diversification level of the bond component. The current target of passive management is 40% of the bond component's assets.

- The Fund shall retain active managers to provide value added beyond the Barclays Aggregate Bond Index on a net-of-fees basis.

Performance Benchmark

Barclays Universal Index

STRATEGY FOR INVESTING IN INFRASTRUCTURE

Proposed March 24, 2008
Adopted [ ]
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Infrastructure investments shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- The Fund may invest in primary partnerships, fund-of-funds, secondary funds/transactions, and co-investments as it constructs its infrastructure portfolio.

- Over the long-term, the Fund's infrastructure investments shall be diversified through strategy, manager, vintage, asset type, and liquidity.

Performance Benchmark

CPI + 500 bps

STRATEGY FOR INVESTING IN ALTERNATIVE INVESTMENTS

Proposed March 24, 2008
Adopted [ ]
Revised April 22, 2010
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen’s Annuity and Benefit Fund of Chicago (the “Board”) was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen’s Annuity and Benefit Fund of Chicago (the “Fund”) for the benefit of the Fund’s participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109); and

Whereas, the Board recognizes that opportunistic strategies encompass a broad range of alternative strategies, but does not include real estate, private equity, and infrastructure, which are separate and distinct asset classes.

THEREFORE, BE IT RESOLVED THAT,

- Investments in opportunistic strategies shall be managed under the discretionary control of a registered investment advisor who has responsibility for designing and diversifying the program, selecting and monitoring investments, and reporting to the Board.

- Over the long-term, the Fund’s opportunistic strategies asset class may include sub-strategies, including sub-strategies that do not fit within the Fund’s asset classes, such as hedge fund-of-funds, global macro, direct investments with hedge funds, extension strategies, absolute return strategies, timberland, agriculture, etc.

Performance Benchmark

Hedge Funds - HFRI Fund of Funds Composite Index
GTAA - 60% MSCI ACWI (net) / 40%WGBI
Real Assets – 50% Dow-Jones – UBS Commodity TR / 50% BC Global Inflation Linked U.S. Tips

GUIDELINES FOR INVESTING IN SHORT-TERM SECURITIES

Adopted June 19, 1993
Revised November 17, 2014
Revised February 22, 2016

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

Short-term investing for the Fund shall be conducted through the City Treasurer's office or by an investment manager selected by the Board. The investments permitted as short-term investments for the Fund include:

- Interest-bearing general obligations of the United States, State of Illinois, and City of Chicago;

- United States treasury bills and other non-interest bearing general obligations of the United States when offered for sale in the open market at a price below face value, so as to afford the Fund a return on such investment in lieu of interest;

- Tax anticipation warrants issued by the City of Chicago;

- Short-term discount obligations of the United States government or United States government agencies;

- Certificates of deposit in banks located within the City of Chicago;

  Certificates of deposit of national banks, fully collateralized at least 110 percent by marketable U.S. government securities and marked-to-market at least monthly;

- Bankers acceptance of bank holding companies and commercial paper of companies rated A1, P1 or the equivalent by two national rating agencies and maintaining such rating during the term of such investment;

- Tax-exempt securities exempt from federal arbitrage provisions applicable to investments of proceeds of the city's tax-exempt debt obligations;

- Except where otherwise restricted or prohibited, a non-interest bearing savings account, non-interest bearing checking account or other non-interest bearing demand account established in a national or state bank, or a federal or state savings and loan association, when, in the determination of the City Treasurer's office, the placement of such funds in the non-interest bearing account is used as compensating balances to offset fees associated with that account that will result in cost savings to the Fund;

- Domestic money market mutual funds regulated by and in good standing with the Securities and Exchange Commission; and

- Any other suitable investment instrument permitted by state laws governing municipal investments generally, subject to the reasonable exercise of prudence in making investments of public funds.

Section 5

INVESTMENT MANAGER ADMINISTRATION

BROKERAGE POLICY

RESOLUTION

Adopted May 25, 1993
Revised November 26, 2002
Revised June 23, 2005
Revised October 29, 2009
Revised March 24, 2011
Revised October 24, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board"), was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board recognizes a commitment to the success of minority owned businesses[3], female owned businesses[4] and businesses owned by a person with a disability[5] (collectively minority, women and disability business enterprise or "MWDBE")[6], and wishes to promote opportunities to MWDBE firms in the City of Chicago and within the State of Illinois (40 ILCS 5/1-109.1(7)); and

Whereas, the MWDBE brokerage firm and its operating members must be registered with the appropriate federal and state agencies and must have an established record of business performance through a history of having provided good execution and reporting services; and

Whereas, the Board supports the aims of the Equal Employment Opportunity Commission, and acknowledges the desirability of open access to competition on the part of MWDBE for the opportunity to provide brokerage services to the Fund (40 ILCS 5/1-109.1(7)); and

Whereas, while recognizing this initiative, the Board acknowledges its fiduciary responsibilities to the Fund regarding best price and execution for all brokerage business executed on behalf of the Fund (40 ILC/1-113.20).

[3] "Minority owned business" shall have the definition set forth in 30 ILCS 575/2(A)(3).
[4] "Female owned business" shall have the definition set forth in 30 ILCS 575/2(A)(4).
[5] "Business owned by a person with a disability" shall have the definition set forth in 30 ILCS 575/2(A)(5).
[6] "MWDBE" owners must, in addition to the definitions set forth in 30 ILCS 575/2(A)(3)-(5), have an interest in capital and earnings commensurate with his or her percentage of ownership.

THEREFORE, BE IT RESOLVED THAT,

The Board approves a policy of offering opportunities to MWDBE to provide brokerage business to the Fund. This policy, which is established to promote the efficient and continued operation of the Fund, is as follows[7]:

U.S. Equity Managers

Subject to best execution and where funds are not commingled, each active U.S. Equity manager shall:

A. Execute trades at an average per share cost not to exceed 3.5¢ per share.

B. If possible, direct 35% or more of the total commission dollars to MWDBE with a significant presence in Chicago, and preferably with an office located within the City of Chicago, or in the State of Illinois.

C. Submit a quarterly progress report, including:

   i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
   ii. dollar amount and percentage of total brokerage that is stepped out; and
   iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois.

D. If an U.S. Equity manager fails to comply with the above guidelines two quarters in a row, the U.S. Equity manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

Non-U.S. Equity Managers

Subject to best execution and where funds are not commingled, each active Non-U.S. Equity manager shall:

A. Except for dedicated Non-U.S. Small Cap and Emerging Market Equity mandates, execute trades at an average per share cost not to exceed 25bps per share.

B. For dedicated Non-U.S. Small Cap Equity and Emerging Market Equity mandates, execute trades at an average per share cost not to exceed 30bps per share.

C. If possible, direct 10% or more of the total commission dollars to MWDBE with a significant presence in Chicago and Illinois, and preferably with an office located within the City of Chicago, or in the State of Illinois.

D. Submit a quarterly progress report, including:

[7] The Board shall review its brokerage policy annually by March 31st of each calendar year.

i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
ii. dollar amount and percentage of total brokerage that is stepped out; and
iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois.

E. If a Non-U.S. equity manager fails to comply with the above guidelines two quarters in a row, the Non-U.S. equity manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

Fixed Income Managers

Subject to best execution and where funds are not commingled, each active Fixed Income manager shall:

A. If possible, direct 25% or more of the total commission dollars to MWDBE with a significant presence in Chicago, and preferably with an office located within the City of Chicago, or in the State of Illinois.

B. Submit a quarterly progress report, including:

i. MWDBE utilization in dollars and as a percentage of total brokerage, the breakdown of commission dollars and percentage of total commissions allocated to a) minority-, b) women-, and c) person with disability owned-business enterprises (please highlight double-counting);
ii. dollar amount and percentage of total brokerage that is stepped out;
iii. dollar amount and percentage of total brokerage that is allocated to a) enterprises with a significant presence in Chicago, and b) enterprises with a significant presence in Illinois; and
iv. The Fixed Income manager's process and assumptions in estimating trading costs.

C. If a Fixed Income manager fails to comply with the above guidelines two quarters in a row, the Fixed Income manager shall be scheduled to appear before the Board to explain why it was unable to achieve its targets.

SECURITIES LENDING POLICY

Adopted June 19, 1993
Revised September 30, 1995
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board, as fiduciaries, may lend securities owned by the Fund to a borrower provided that during the period of such loan, the Fund shall retain the right to receive, or collect form the borrower, all dividends, interest rights, or any distributions to which the Fund would have otherwise been entitled (40 ILCS 5/5-187.1); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, as fiduciaries, is required to diversify the investments of the Fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so (40 ILCS 5/1-109).

THEREFORE, BE IT RESOLVED THAT,

- Securities lending activities for the Fund shall be administered by the Fund's custodian or securities lending agent, as applicable, who is responsible for all recordkeeping, monitoring and reporting of loans of the Fund's securities.

- The Board may delegate the investment of collateral cash received from securities lending activities to the custodian or securities lending agent, as applicable. The custodian or securities lending agent, as applicable, may invest in:

  - Short-term obligations of companies whose commercial paper is rated A1, P1 or the equivalent by at least two national rating agencies;

  - Short-term obligations (up to 15%) that the custodian or securities lending agent, as applicable, classifies as second-tier;

  - Short-term obligations of banks whose certificates of deposit are rated A1, P1 or the equivalent by at least two national rating agencies;

  - Short-term obligations (up to 15%) that the custodian or securities lending agent, as applicable, classifies as second-tier;

  - Short-term obligations of the United States government or its agencies,

  - Repurchase agreements;

  - Money market mutual funds; and

  - The Northern Trust's Short Term Investment Fund (STIF) for Employee Benefit Trusts.

- The custodian or securities lending agent, as applicable, shall maintain a list of eligible borrowers in the securities lending program. The Fund's staff shall give the custodian or securities lending agent, as applicable, written authorization as to which borrowers the custodian or securities lending agent, as applicable, may lend the Fund's securities. The Fund's staff may revoke authorization to lend to a certain borrower at any time by giving the custodian or securities lending agent, as applicable, notice of such change.

- All loans shall be collateralized and marked to market daily as agreed by the two parties and set forth in the securities lending agreement.

- Revenues received from such securities lending shall be proportionately divided between the Fund and the custodian or securities lending agent, as applicable, agreed upon by the two parties.

- The time period for which the securities may be loaned shall not exceed one year.

- The Fund may withdraw from the securities lending program at any time by giving the custodian or securities lending agent, as applicable, written notice.

INVESTMENT MANAGER SELECTION POLICY

Adopted June 23, 2005
Revised October 29, 2009
Revised July 25, 2011
Revised November 17, 2014
Revised July 27, 2015

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)); and

Whereas, it is and continues to be the intention of the Board to administer a portion of the Fund's assets in compliance with the declared public policy of the State of Illinois, to wit: to encourage the trustees of public employee retirement systems to use emerging and minority investment managers in managing their system's assets to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation of emerging and minority investment managers in investment opportunities afforded by those retirement systems (40 ILCS 5/1-109.1(4) and (9)); and

Whereas, it is also the intention of the Board, within the bounds of financial and fiduciary prudence, to afford opportunities for managing the Fund's assets to Illinois emerging and minority investment management firms; and

Whereas, it is the intention of the Board, in the event of the funding or termination of an investment manager, or a transfer of assets, that the Fund utilize transition investment management services. To this end, the Board has retained and delegated ongoing transition investment management authority to investment managers acting in a fiduciary capacity to the Fund, and such transition investment manager selection for specific transition events is based on the ability of the transition investment manager to minimize the costs and risks associated with such events; and

Whereas, it is the intention of the Board that during such interim periods wherein there may be, or are, funds and assets that periodically are not under the management and supervision of transition investment managers or investment managers, including during any transition of investment management services or rebalancing of assets, that in accordance with Section 1(b) of 40ILCS 5/1-109.1, the Fund's Executive Director or Chief Investment Officer, as fiduciaries, take such actions they deem necessary and prudent, including the executing of contracts and trading of securities and the Fund's assets, until such funds and assets are transitioned to a transition investment manager or under the management of an investment advisor, as the case may be, or the rebalancing of assets has taken place.

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board to use emerging investment management firms, as defined in 40 ILCS 5/1-109.1(4), and minority investment management firms, as defined in 40 ILCS 5/1-109.1(9), to the greatest extent feasible within the bounds of financial and fiduciary prudence, which among other things shall be achieved through consultation and pursuant to the advice of the Fund's investment advisors.

It shall be the policy of the Board to ensure that no barrier exists to the full participation of emerging and minority investment managers in the investment opportunities afforded by the Fund. The Board shall attempt to achieve full participation of emerging and minority investment managers as follows:

(1) The Fund's investment advisor shall include in any investment manager search no less than three qualified emerging or minority management firms to provide the investment product or strategy sought, and if less than three qualified emerging or minority investment management firms are recommended, the investment advisor shall notify the Board of the reason(s) for the non-inclusion. A qualified manager is defined as one who meets the selection criteria upon which the search is organized; and

(2) The Fund's investment advisor shall annually advise the Board of the emerging and minority investment managers that have been added to the database used by the investment advisor in the conduct of searches; and

(3) The Fund's investment advisor shall include in all manager searches no less than three Illinois firms that provide the investment product or strategy sought. If less than three qualified Illinois firms are recommended, the investment advisor shall notify the Board of the reason(s) for the non-inclusion. An Illinois firm is defined as one registered to do business, and having a principal office in the State of Illinois; and

(4) The Board shall take significant steps to contract with minority owned businesses[8], female owned businesses[9] and businesses owned by a person with a disability[10] (collectively minority, women and disability business enterprise or "MWDBE")[11] through one or more of the following relationships: retaining qualified MWDBE firms directly as active or passive portfolio managers as a result of a generalized or special search, or retaining a consultant to assemble a portfolio of MWDBE firms on a fully discretionary and/or collaborative basis and or through a fund-of-fund structure.

It shall be the policy of the Board, always mindful of its fiduciary obligation to its past, present and future annuitants, to strive to achieve the following goals[12] in awarding investment manager contracts:

By Asset Class (for Emerging Investment Managers)	Range	
	Low	High
Equity	7%	9%
Fixed Income	2%	4%
Alternatives	3%	4%

8 "Minority owned business" shall have the definition set forth in 30 ILCS 575/2(A)(3).
9 "Female owned business" shall have the definition set forth in 30 ILCS 575/2(A)(4).
10 "Business owned by a person with a disability" shall have the definition set forth in 30 ILCS 575/2(A)(5).
11 "MWDBE" owners must, in addition to the definitions set forth in 30 ILCS 575/2(A)(3)-(5), have an interest in capital and earnings commensurate with his or her percentage of ownership.
12 The percentage goals are based on the Fund's total dollar amount of the investment manager contracts. The Board shall review these goals annually by June 30th of each calendar year.

By Asset Class (for Minority Investment Managers)	Range	
	Low	High
Equity	2%	4%
Fixed Income	0%	2%
Alternatives	0%	1%
By Asset Class (for Emerging and Minority Investment Managers-TOTAL)	Range	
	Low	High
Equity	11%	13%
Fixed Income	3%	5%
Alternatives	4%	5%
By Category (for Emerging Investment Managers)	Range	
	Low	High
Minority-owned	4%	5%
Women-owned	1%	2%
Person with disability-owned	0.25%	0.5%
By Category (for Minority Investment Managers)	Range	
	Low	High
Minority-owned	2%	4%
Women-owned	0%	1%
Person with disability-owned	0%	0.25%
By Category (for Emerging and Minority Investment Managers)	Range	
	Low	High
Minority-owned	4%	5%
Women-owned	1%	2%
Person with disability-owned	0.25%	0.5%

It shall be the policy of the Board, once it determines to select a manager(s) for hire, to make a motion in open session to retain the services of such manager(s) subject to finalization of the contract to the satisfaction of the Executive Director, Chief Investment Officer and Board Counsel.

It shall be the policy of the Board that the Executive Director or Chief Investment Officer, once negotiations are complete, to notify the Chairman of the investment committee that a contract(s) has been approved for retention. At that point, should transition investment management services be needed to fund such commitment, the Board further hereby delegates authority to and does direct the Executive Director or Chief Investment Officer to work with the Board's investment consultant to obtain transition investment management services. At the discretion of the Executive Director or Chief Investment Officer, a bid process may or may not be used depending on the transition needs of the Fund at the time of the proposed action.

The Board further hereby delegates authority to and does direct the Executive Director or Chief Investment Officer, once a new mandate has been funded in whole or in part, to report to the Board in open session, the pertinent terms of the agreed to contractual relationship, the manner in which such mandate was funded in whole or in part, and any other details deemed appropriate. The Board, in enacting this aforementioned policy, understands that its fiduciary responsibility can best be met by closing any investment activity from public scrutiny until such time as the Fund's staff has been able to execute Board investment initiatives, and once complete, a full report in open session shall be reported by the Fund's staff for the public record.

It shall be the policy of the Board, once it determines to terminate a manager(s), to make a motion in open session to terminate such manager(s). Further, the Board hereby delegates authority to and does direct the Executive Director or Chief Investment Officer, once the transfer of assets from such terminated manager(s) has been completed, to report such fact to the Board in open session.

It shall be the policy of the Board that the Fund's Executive Director and Chief Investment Officer shall have authority to execute contracts, upon completion of a legal review of any such contract, and trade securities and the Fund's assets during any interim periods, which period should not exceed 45 days, wherein there may be, or are, funds and assets that are not under the control and supervision of the transition investment managers or investment managers, or the rebalancing of assets is being implemented. The Board hereby delegates authority to and does direct the Fund's Executive Director or Chief Investment Officer, as fiduciaries, to take such actions they deem necessary and prudent, including the executing of contracts and trading of securities and the Fund's assets, during any such above-described interim periods.

It shall be the policy of the Board that all investment managers shall comply with all statutes currently applicable to the Board and the Fund, as may be amended, supplemented, or added from time to time.

INVESTMENT MANAGER MEETINGS (PROCEDURES FOR CONDUCTING)

Adopted November 21, 1989
Revised May 17, 2002
Revised April 22, 2010
Revised November 17, 2014
Revised August 1, 2017

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT

It shall be the policy of the Board that the Chief Investment Officer shall endeavor to meet with each of the Fund's investment managers on an annual basis, but no less than biennially. The Chief Investment Officer shall report the results of such review to the Board in a timely manner. When deemed necessary by the Chief Investment Officer and/or investment consultant, investment managers will be brought in front of the Board for a formal presentation. The presentation should contain the information stated below.

- Organization and Product Overview. The investment manager shall provide a brief overview of the current and historic ownership, management, and senior level staffing of its organization. The investment manager shall also disclose its current assets under management, the number of clients it serves, and the number of investment professionals it employs. Further, the investment manager shall provide information regarding any change in the ownership and/or management structure of its firm in the past three years.

- Performance. The investment manager shall provide data comparing the performance of the portfolio it manages on behalf of the Fund with the agreed-upon benchmark ("Performance Data"). The Performance Data should be shown on a calendar quarter basis, net of fees, with annual and cumulative (3-year, 5-year, and since inception, as applicable) summaries and should also include a comparison of the relevant portfolio characteristics of the asset(s) that it manages on behalf of the Fund with the portfolio characteristics of the agreed-upon benchmark. All Performance Data should be as of the most recent calendar quarter-end. The investment manager may also provide more current up-to-date Performance Data as supplemental information.

- Client and Personnel Turnover. The investment manager shall provide the number and size of all accounts it gained or lost in each of the last three years. The investment manager shall also provide the names of all investment professionals who either joined or left its firm in each of the last three years, who were involved in the investment decision-making process, research or client servicing function. In addition, the investment manager shall detail any other information about its staff that the Board would consider material, such as reassignments of responsibility, prospective additions, etc.

- Investment Guidelines. The investment manager shall provide an affirmative statement that the portfolio it manages on behalf of the Fund has been in compliance with all Board policies and guidelines. If there have been any violations, the investment manager shall disclose the violation and how it was resolved. Further, the investment manager shall describe the compliance process it employs to insure adherence to its internal policies and guidelines and identify any provisions in the Fund's current investment policies and guidelines or benchmarks that constrain or impair its investment process. If the investment manager identifies any such constraints or impairments, it should suggest alternatives.

- Trading Practices. The investment manager shall provide a report on its firm's trading practices including:

    - A description of its trading practices and personnel;

    - A list of all broker/dealers used over the past 12 months, the amount of trading executed with each and the average commission cost for each;

    - For its firm as a whole, a complete report of all services received from broker/dealers (including any third-party services or material services) paid for with commissions (either by "paying up" or through formal soft dollar arrangements), and the dollar value of all items (cost of item or soft dollars spent on its acquisition). The investment managers shall also identify what portion of this amount is borne by the Fund's account.

    - A report of all directed brokerage activity for the Fund's account over the past 12 months. The investment manager shall include a clear statement regarding whether it believes this practice has negatively impacted the portfolio's net performance.

- Regulatory and Legal Issues. The investment manager shall report on any and all litigation involving its firm or any of its investment professionals. Its report shall include any SEC (or other regulatory agency) actions, suits, sanctions, citations, or censures and shall also mention any other events that the Board would consider material.

- Additional Information. The investment manager shall provide any additional information or material that it feels would help the Board to understand its firm, its investment management team, its investment philosophy, the outcomes, the economy, or the market environment.

- Topical Subject. From time to time, the Board may ask the investment manager to spend 15-20 minutes covering a topic of general interest as an educational session with the Board. The investment manager shall feel free to suggest possible topics to the Fund's consultant.

- Materials. The Fund's office should receive the investment manager's presentation materials a minimum of 7 days before the Board's meeting for distribution to the Board. Additionally, copies of the investment manager's presentation materials should be sent to the Fund's consultant.

RESTRICTIONS ON INVESTMENTS

ASSAULT WEAPONS

Adopted January 31, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board that, subject to an investment manager's exercise of its fiscal and fiduciary duty, all investment managers shall refrain from purchasing or holding securities of an assault weapons manufacturer if the investment 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 weapons manufacturer" shall mean any entity that derives revenue from the sale of such prohibited assault weapons for civilian use.

These provisions governing restrictions on investment expire, by their terms, on January 1, 2015, unless extended by further Board action.

INVESTMENT MANGERS WATCH LIST TRIGGERS

Adopted January 31, 2013
Revised November 17, 2014

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board to place the investment manager on the Fund's "Watch List" and to take such other action described more fully below, if the investment manager fails to satisfy the Board with respect to the following qualitative and quantitative factors:

Qualitative Factors

Deviation from stated investment style and philosophy: The investment manager shall be placed on the Fund's Watch List and shall further be terminated if the investment manager's investment style and philosophy is no longer consistent with its initially stated objectives.

Changes in ownership/business plan: The investment manager shall be placed on the Fund's Watch List, if the Board determines that such change may detrimentally affect its performance.

Client Servicing: The investment manager shall be placed on the Fund's Watch List, if service deterioration inhibits its ability to monitor the Fund's assets and shall further be terminated if the issue is not resolved.

Key personnel turnover: The investment manager shall be placed on the Fund's Watch List and shall further be terminated if key personnel turnover may impair the firm's investment capabilities.

Material change in clients AUMs: The investment manager shall be placed on the Fund's Watch List, if the Board determines that such change may detrimentally affect performance.

Advent of material litigation: The investment manager shall be placed on the Fund's Watch List, if the nature, seriousness, and likely impact of the charges against the firm and investment product warrant it.

Failure to comply with investment guidelines, investment policy, ethics policy, or rules and regulations: The investment manager shall be placed on the Fund's Watch List and shall further be terminated depending on the seriousness of the breach.

Deterioration in Consultant's qualitative score: The investment manager shall be placed on the Fund's Watch List, if the Fund's consultant determines that the deterioration reflects factors that may detrimentally affect performance. Examples of such factors include: staff changes, ownership changes, and deviations from the investment process.

Quantitative Factors

Deterioration in Consultant's quantitative score: The investment manager shall be placed on the Fund's Watch List, if the Fund's consultant determines that the investment manager's current performance (absolute and risk adjusted) is inconsistent with historical performance of the product and the investment manager's investment philosophy.

PROXY VOTING POLICY
Adopted [ ]
Revised July 2009
Revised November 17, 2014

Proxy Voting

Whereas, the Retirement Board of the Policemen's Annuity and Benefit Fund of Chicago (the "Board") was created by an Act of the General Assembly of the State of Illinois for the express purpose of administering the Policemen's Annuity and Benefit Fund of Chicago (the "Fund") for the benefit of the Fund's participants and their beneficiaries (40 ILCS 5/5-101); and

Whereas, the Board has the authority to invest the reserves of the Fund (40 ILCS 5/5-187); and

Whereas, the Board, as fiduciaries, is required to exercise investment authority with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims (40 ILCS 5/1-109); and

Whereas, the Board, to promote investment opportunities, has, as prudent and necessary, retained and delegated its investment authority to appoint well-recognized investment managers, as fiduciaries, to manage the assets of the Fund (40 ILCS5/1-109.1(a)).

THEREFORE, BE IT RESOLVED THAT,

It shall be the policy of the Board, and the Board, consistent with its previous written instructions to its investment managers, hereby delegates authority to and does direct that its investment managers vigorously vote all proxies solely in the best interests of the Fund's plan beneficiaries. Proxy voting activities shall be monitored by the Fund's staff. It shall be the policy of the Board, and the Board, consistent with its previous written instructions to its investment managers, hereby delegates authority to and does direct that, as part of the monitoring process, all investment managers provide the following information during the annual review process or upon request regarding the investment manager's proxy voting activities:

1. The investment manager's current proxy voting policies;

2. A summary and detailed records of all proxies voted;

3. A statement indicating whether the investment manager voted in conformance with its proxy voting guidelines; and

4. A statement indicating whether the investment manager voted in the best interests of all Fund participants.

The Fund's staff shall review the investment manager's reports to determine if the investment manager's actions are in compliance with the Fund's instructions and the investment manager's policies. The Fund's staff shall report the findings of the review annually to the Board.

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Section 6

INVESTMENT MANAGER GUIDELINES

U.S. EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
DENALI ADVISORS, LLC.
LARGE CAP VALUE EQUITY STRATEGY
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted November 30, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
2. Securities must be listed on the New York Stock Exchange, American Stock Exchange or the NASDAQ and registered with the Securities and Exchange Commission.
3. No security may represent more than 10% of the market value of the portfolio. Positions should be in issues with sufficient float so as to facilitate, under most market conditions, prompt sale without severe market impact.
4. The portfolio will not hold more than 1% of a single issuer's total outstanding equity capital and may not invest in shares of any company where the Portfolio Manager holds greater than 5% of the issuer's total outstanding equity capital across the aggregate of all client accounts.
5. The percentage of the portfolio (based on market value) in any one sector shall not exceed the greater of 2x the weight of that sector in the benchmark or the benchmark sector weight plus 5% (five percentage points).
6. A maximum of 5% of the portfolio may be held in cash.

If market price movements cause the portfolio to violate any of these guidelines, the Portfolio Manager will have 30 days to move the portfolio back into compliance

Investment Objective

1. To exceed the annualized rate of return of the Russell 1000 Value Index, net of fees, over reasonable measurement periods.
2. To achieve an above-median ranking within a universe of managers with a similar large-cap value style.

INVESTMENT GUIDELINES FOR
FISHER INVESTMENTS
SMID CAP VALUE US EQUITY
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted February 28, 2013

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised [September 25, 2012].

The benchmark for the portfolio will be the Russell 2500 Value Index (the "benchmark").

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Adviser should invest primarily in equity securities of issuers domiciled in, or organized under the laws of, the countries that comprise the benchmark.

3. For the purposes of these policies and guidelines, equity securities include common stocks, securities convertible into common stocks, preferred stocks, warrants, and rights to subscribe for common stocks, and exchange traded funds (ETFs).

4. The portfolio may hold up to 60% in securities outside the market cap range of the Russell 2500 Value Index.

5. The portfolio will be well diversified and will typically contain 60-100 issues.

6. Aggregate equity securities will comprise approximately 80% to 100% of the portfolio's market value. Cash equivalents may be held to a maximum of 20% of the portfolio's market value.

7. No individual security will have a weight in the portfolio greater than 5% at market.

8. Maximum exposure to any one sector will be based on the benchmark and will fall within the following ranges at market value:

    - if the benchmark weight is between 0-10% the maximum portfolio weight is the benchmark weight plus 20%

    - if the benchmark weight is greater than 10% the maximum portfolio weight is three times the benchmark weight

9. Individual ETF positions will be limited to 10% each of the portfolio at market value.

10. Average annual portfolio turnover will generally not exceed 60%.

11. Prohibited transactions include the following:
    - investments in non-marketable securities
    - private equity securities

- private or direct placement securities
- commodities
- real estate investment (REITs are permitted)
- short sales
- margin purchases
- securities lending
- options or other derivative securities
- Futures may be used for the sole purpose of hedging portfolio cash flows.
- The use of any form of derivative security or investment strategy that leverages the portfolio is prohibited.

Rebalancing

The maximum investment limits set forth above that are based on market value will be corrected within 5 business days. If market fluctuations cause the investments to fall within such maximum investment limits within such 5-business day period, no corrective action may be necessary.

Investment Objective

1. To exceed the annualized rate of return of the Russell 2500 Value Index, net of fees, over reasonable three-year rolling periods.

2. To achieve an above-median ranking, net of fees, within a universe of managers with similar small/mid-cap value style.

INVESTMENT GUIDELINES FOR
GREAT LAKES ADVISORS
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted September 30, 1989
Revised April 26, 1990
Revised August 24, 1993
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Great Lakes Advisors is to invest the portfolio under management up to a maximum of 100% in common stock.

3. The manager shall be responsible for determining the amount of the portfolio's assets to be invested in stock and cash equivalents.

4. The investment manager will have full discretion in determining the level of diversification within the portfolio.

Investment Objectives

1. To exceed the rate of return of the S&P/BARRA Large Value Stock Index over reasonable measurement periods, net of fees. Prior to September 30, 1993, the performance benchmark was the Wilshire 5000 Stock Index. Prior to September 30, 1989, the performance benchmark was the S&P 500 Stock Index.

2. To achieve an above-median ranking within a universe of common stock funds.

INVESTMENT GUIDELINES FOR
HOLLAND CAPITAL MANAGEMENT LP
LARGE CAP GROWTH EQUITY STRATEGY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted December 30, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. Investments are limited to equity securities of domestically listed companies that are traded on U.S. exchanges, American Depository Receipts (ADRs) and/or dollar-denominated foreign securities, cash equivalents and/or fixed income securities including short-term collective funds administered by the Custodian/Trustee, obligations issued or guaranteed by the U.S. government, federal agencies, and government sponsored entities, obligations of domestic commercial banks and bank holding companies, including commercial paper, bankers acceptances, certificates of deposit, time deposits, notes and bonds.

3. The portfolio is generally to be fully invested with 95%-100% in equity securities and no more than 10% in cash equivalents and/or fixed income securities.

4. No single market sector shall represent more than 30% of the market value of the portfolio, or its comparable representation of the Russell 1000 Growth index, whichever is larger.

5. No individual security holding shall constitute more than 5% of the market value of the portfolio, or its equivalent representation in the Russell 1000 Growth, index whichever is greater.

6. ADR's and/or other foreign U.S. dollar denominated common stocks and related equity securities traded on major U.S. stock exchanges or the U.S. over-the-counter market shall not represent more than 15% of the portfolio.

7. Prohibited transactions include the following:

   - investments in non-marketable securities
   - private equity securities
   - private or direct placement securities
   - commodities
   - real estate investment (REITs are permitted)
   - short sales
   - margin purchases
   - securities lending
   - options or other derivative securities (except futures)

8. Futures may be used for the sole purpose of hedging portfolio cash flows. The use of any form of derivative security or investment strategy that leverages the portfolio is prohibited.

9. Holland Capital shall direct the Custodian in the voting of all proxies on behalf of the Policemen's Annuity and Benefit Fund of Chicago.

Investment Objective

1. To exceed the annualized rate of return of the Russell 1000 Growth Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking within a universe of managers with a similar large-cap growth style.

INVESTMENT GUIDELINES FOR
MONTAG & CALDWELL
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted November 21, 1996
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
2. Montag & Caldwell is to invest the portfolio under management up to a maximum of 100% in common stock.
3. The manager shall be responsible for determining the amount of the portfolio's assets to be invested in bonds and cash equivalents. The manager may invest in fixed-income securities of any maturity at any time in a percentage that is at the manager's sole discretion.
4. The investment manager will have full discretion in determining the level of diversification within the portfolio.

Investment Objectives

1. To exceed the rate of return of the Russell 1000 Growth Stock Index over reasonable measurement periods, net of fees.
2. To achieve an above-median ranking within a universe of common stock funds.

INVESTMENT GUIDELINES FOR
NORTHERN TRUST INVESTMENTS NTGI RUSSELL 1000
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted September 25th, 2012

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines
The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
The portfolio will be invested in Northern Trust Collective Russell 1000 Index Fund – Non-Lending.
The portfolio shall be constructed to fully replicate the assigned index.
Administrative duties, such as custody of assets, security settlement, and dividend collection, are the responsibility of the portfolio manager.

Investment Objective
To match the rate of return of the Russell 1000 Stock Index, gross of fees.

INVESTMENT GUIDELINES FOR
WILLIAM BLAIR (SMID CAP GROWTH)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted October 28, 2004

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1. In accord with the applicable portions of the Pension Code, above referenced, the Adviser may invest in the following equity securities:

   - The common stocks are listed on a national securities exchange or board of trade or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
   - The Adviser may invest at least 80% of the assets in stocks of small and medium-sized domestic companies which have market capitalizations of $12 billion or less at time of purchase. Up to 20% of the assets may be invested in companies with market capitalizations greater than $12 billion or in cash equivalents.
   - The Adviser may invest up to 15% of the portfolio in American Depository Receipts or substantially similar instruments that are based on foreign securities or in securities exempt from registration under the Securities Act of 1933 such as rule 144A securities.

2. The Adviser may invest up to 10% of its portfolio in cash or cash equivalents.

3. Options, financial futures, private placements, or venture capital may not be purchased.

4. No single security in the Adviser's portfolio will comprise more than 5% of the portfolio's equity allocation at the time of purchase, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation.

5. The following investment activities are prohibited

   - Naked call options, puts or straddles
   - Futures or options except when acquired to hedge portfolio risk
   - Margin buying, short selling or any strategy or instrument involving the use of leverage
   - Over-the-counter derivative securities
   - Commodities and commodity contracts
   - Lease-backs and conditional sales contracts
   - Private Real Estate (publicly traded REITs are allowed)
   - Limited partnerships
   - Non-dollar denominated equity securities
   - Letter stock
   - Other investments with characteristics similar to those above

Investment Objectives

1. To exceed the annualized rate of return of the Russell 2500 Growth Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of managers with a similar small/mid cap growth style.

Section 7

NON-U.S. EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
ACADIAN ASSET MANAGEMENT LLC
Non-U.S. Equity Small Capitalization
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted February 28, 2013

The benchmark for the portfolio will be the MSCI EAFE Small Cap (the "benchmark").

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

The Portfolio will principally invest in common stocks traded on equity markets. Also permitted:
Preferred shares, securities convertible into other equities, depository receipts, and other equity securities.
Limited partnerships, REITS, Canadian income trusts, units, unit trusts, rights and warrants.
All securities and security types included in the benchmark.
Forward currency contracts for the purpose of hedging currency fluctuations during settlement

Opportunistic currency hedging is allowed up to 50% of portfolio value.

The Portfolio will not:
Purchase securities on margin
Sell securities short
Use derivatives, including equity index swaps and equity index futures, unless specifically permitted above
Leverage the portfolio
Purchase 144A securities

The Portfolio will generally hold 5% cash or less. The limit may occasionally be exceeded due to contributions, withdrawals, or other special circumstances.

Markets included in the MSCI EAFE Small Cap index and Canada are permissible for investment. In addition, investment in countries not described above is permitted on an opportunistic basis up to 10% of portfolio value at time of purchase. A security's country classification will be determined according to MSCI, or according to S&P if not covered by MSCI. If not covered by either, the country where it primarily trades or its country of domicile or incorporation will be used to determine the classification.

The holdings of any one issuer will generally not exceed 5% of the total portfolio value or twice the MSCI EAFE Small Cap benchmark weight for that issuer, whichever is larger. This guideline applies at time of purchase. This guideline excludes forward currency positions and securities issued by sovereign governments

Investment Objective

1. To exceed the annualized rate of return of the MSCI EAFE Small Cap Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of non-U.S. small cap managers.

INVESTMENT GUIDELINES FOR
ARTISAN PARTNERS
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005
Revised June 29, 2006
Revised January 28, 2008

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised on January 28, 2008.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
2. The Account shall be invested at the discretion of Artisan Partners with regard to individual security selection, subject to compliance with the applicable standards under the Employee Retirement Income Security Act of 1974, as amended, and these guidelines.
3. Holdings will generally consist of publicly traded corporate equities (including common and preferred stocks, warrants, and ADRs) of companies domiciled or whose primary business activities or principal trading markets are outside the United States.
4. Holdings in emerging market countries (as defined by MSCI) will be kept to a maximum of 2X the emerging markets exposure of the MSCI All-Country World ex-U.S. Index.
5. The Account will generally be diversified across a minimum of eighteen (18) countries. The maximum allocation to any one country will not generally exceed thirty percent (30%) of the value of the Account.
6. Investment in any one industry will not generally exceed twenty-five percent (25%) of the value of the Account.
7. No single security will exceed five percent (5%) of the market value of the Account at the time of purchase.
8. The Account will not employ leverage, purchase securities on margin, sell securities short, purchase securities in private placements (except Rule 144A securities), or write or sell options.
9. Currency hedging may be utilized for defensive purposes to protect the Account's value in U.S. dollars but may not exceed 20% of the total market value of the Account.
10. The cash portion of the Account shall be invested in short-term investment funds to be designated by Client or Client's custodian from time to time. Cash will not generally exceed ten percent (10%) of the value of the Account.
11. The manager should select and weight international common stock investments in the account in order to achieve the highest possible long-term total rate of return while managing portfolio risk.
12. The Account may invest in listed or over-the-counter un-leveraged, equity-linked instruments; provided, however, that the Account will not invest (i) more than 10% of its total assets in such instruments, and (ii) more than 5% of its total assets in such instruments issued by a single counterparty (in each case measured at market value at the time of purchase).

Investment Objectives

1. To exceed the annualized rate of return of the MSCI All-Country World ex-U.S. Index over reasonable measurement periods, net of fees.

2. To achieve an above-median ranking within a universe of managers with a similar small/mid cap growth style.

INVESTMENT GUIDELINES FOR
EARNEST PARTNERS LLC
Emerging Markets Equity Strategy
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO (the "Fund")

Adopted 2013

These investment guidelines (the "Investment Guidelines") extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" (the "Investment Policy") as adopted and most recently revised February 28, 2013. In the event of any conflict between these Investment Guidelines and the Investment Policy, the Investment Policy shall control.

The benchmark for the Portfolio will be the MSCI Emerging Markets Index (the "Benchmark").

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Portfolio will principally invest in common stocks traded on equity markets. Appropriate investments include without limitation non-U.S. dollar denominated equity and equity-linked securities (including REITs) and U.S. dollar denominated foreign equity and equity-linked securities including exchange traded funds ("ETFs"), American Depository Receipts ("ADRs"), European Depository Receipts ("EDRs"), and Global Depository Receipts ("GDRs"). Also permitted:
    - Preferred shares, securities convertible into other equities, and other equity securities
    - All securities and security types included in the Benchmark
    - Forward currency contracts for the purpose of hedging currency fluctuations during settlement

3. The Portfolio will not:
    - Purchase securities on margin
    - Sell securities short
    - Use derivatives other than those specified above
    - Leverage the portfolio
    - Purchase 144A securities

4. Notwithstanding anything in these Investment Guidelines to the contrary, affiliated or unaffiliated mutual funds, investment funds, trust or other pooled investment vehicles may be used to establish market positions more efficiently than otherwise possible. No one fund will represent more than 7.5% of the gross assets of the total Portfolio. It is understood and agreed that some countries (e.g. China) may impose limitations and restrictions on the repatriation of capital. Each investment fund shall be subject to the provisions of its prospectus, trust deed and/or subscription documents applicable to the investment fund, as amended and supplemented from time to time.

5. Equity holdings in any one company should not exceed 7.5% of the total Portfolio, measured at market value.

6. Equity holdings in one sector should not exceed the greater of 35% of the total Portfolio or 1.5 times the sector's weight within the Benchmark, measured at market value.

7. Country allocations should generally not exceed the greater of 25% of the total Portfolio or 2 times the Benchmark weight, each measured at market value.

8. Not more than 10% of the total Portfolio, measured at market value, may be held in un-invested cash.

9. Restrictions on Investments - If the Fund does not provide the Advisor with a list in writing of the specific securities (e.g. the ticker symbols or CUSIP numbers of such securities) which are to be prohibited from being purchased in the Portfolio, then any securities to be prohibited from purchase in the Portfolio will be determined solely by the generic screening criteria of MSCI or other third party provider. In the event that the generic screening is utilized by the Advisor for the Portfolio (i.e. the Fund has provided guidelines for prohibited securities but not specific names of securities), the Fund acknowledges that the Advisor may, from time to time, as a result purchase securities for the Portfolio that the Fund may subsequently determine should be prohibited from further investing in the Portfolio. In such cases, the Fund must notify the Advisor in writing as to whether to sell such securities and/or to prohibit the further purchase of such securities in the Portfolio. The Fund agrees that the Advisor will be held harmless for any loses that may occur in the Portfolio with respect to securities that are purchased in the Portfolio by the generic screening that the Fund did not specifically list in writing as being prohibited.

Investment Objective

1. To exceed the annualized rate of return of the MSCI Emerging Markets Index, net of fees, over a full market cycle.

2. To achieve an above-median ranking, net of fees, within a universe of emerging markets managers over a full market cycle.

INVESTMENT GUIDELINES FOR
LAZARD ASSET MANAGEMENT LLC
Developing Markets Equity Strategy
POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted 2013
Revised March 22, 2016

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised.

The benchmark for the portfolio will be the MSCI Emerging Markets Index (the “benchmark”).

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

2. The Portfolio will principally invest in common stocks traded on equity markets. Also permitted:
    a. Preferred shares, securities convertible into other equities, depository receipts, and other equity securities.
    b. All securities and security types included in the benchmark.
    c. Forward currency contracts for the purpose of hedging currency fluctuations during settlement

3. The Portfolio will not:
    a. Purchase securities on margin
    b. Sell securities short
    c. Use derivatives other than those specified above
    d. Leverage the portfolio
    e. Purchase 144A securities

4. Generally, no more than 5% of the Account will be invested in any single security (as measured at the time of purchase) with a maximum position of 7% in any single security (as measured at market)

5. Generally, the range of holdings will be between 60 and 90 securities of companies domiciled in countries included in the MSCI Emerging Markets Index, and which are of sufficient liquidity as well as companies that derive more than 50% of their net assets and/or sales from emerging markets countries.

6. The Account will hold no more than 10% of the outstanding securities of an issue

7. The Account will generally remain fully invested with no more than 10% of the Account’s total assets comprised of cash or cash equivalents

Please see next page of this document for minimum and maximum ranges for country and sector weights (as measured at the time of purchase).

Minimum and Maximum Ranges:

Sector	(%)
Consumer Discretionary	0-20
Consumer Staples	0-15
Energy	0-25
Financials	0-40
Health Care	0-10
Industrials	0-25
Information Technology	0-30
Materials	0-25
Telecom Services	0-25
Utilities	0-15
Country (%):	
Brazil	0-25
Chile	0-5
China	0-40
Colombia	0-5
Czech Republic	0-5
Egypt	0-5
Greece	0-5
Hungary	0-5
India	0-20
Indonesia	0-10
Malaysia	0-5
Mexico	0-15
Peru	0-5
Philippines	0-5
Poland	0-5
Qatar	0-5
Russia	0-20
South Africa	0-20
South Korea	0-25
Taiwan	0-20
Thailand	0-10
Turkey	0-15
United Arab Emirates	0-5
Other (aggregate)	0-10

Investment Objective

1. To exceed the annualized rate of return of the MSCI Emerging Markets Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of emerging markets managers.

INVESTMENT GUIDELINES FOR UBS GLOBAL ASSET MANAGEMENT (INTERNATIONAL EQUITY) FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted March 27, 1984
Revised August 21, 1984
Revised July 28, 1987
Revised September 30, 1989
Revised October 31, 1991
Revised June 23, 2005
Revised May 15, 2006

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised May 15, 2006.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The portfolio will not invest in any forbidden entity as defined by Illinois Public Act 094-0079.

3. UBS will construct a diversified portfolio that will typically hold between 100-200 securities. The only bias of the portfolio is toward stocks in which, according to the adviser, a material discrepancy exists between its market price and its intrinsic value.

Permissible Investments

1. Common or preferred shares of foreign corporations listed and traded on nationally recognized exchanges or over the counter markets.

2. Convertible bonds, debentures or preferred shares which are convertible into corporate stock.

3. Warrants or rights to equity securities.

4. Cash or cash-equivalent securities, including money market mutual funds and equivalent commingled funds; U.S. Treasury Bills; commercial paper; certificates of deposit; bankers' acceptances and repurchase agreements collateralized by US Treasury or Agency Securities.

5. SEC Rule 144A securities

6. The investment manager may engage in various transactions to hedge against currency risk. Forward contracts, futures and options may be used for currency hedging purposes.

7. The investment manager may use futures and exchange traded funds in order to equitize cash.

Prohibited Investments

1. Letter or restricted stock

2. Short sales of any type

3. Share purchases involving the use of margin

Portfolio Construction Guidelines

1. The portfolio will be diversified by sector, region, and country.

2. The maximum allocation to any one security will be limited to the greater of 5% of portfolio assets (at market value) or the issuer's benchmark (MSCI All Country World Ex-U.S. Index) weighting plus 5% of portfolio assets. Notwithstanding this limitation, no immediate liquidation of investment shall be required solely due to changes in market value.

3. Investment in emerging market companies will be limited to the greater of 25% or 2 times the emerging markets allocation in the MSCI All Country World Ex-U.S. Index.

4. The amount of cash and cash equivalents will not exceed 10% of the portfolio, except during periods of cash contributions and withdrawals.

If the manager breaches the portfolio construction guidelines due to market movements, it must notify the client regarding this matter.

Performance Measurement

1. The benchmark for this strategy is MSCI All Country World Ex-U.S. Index.

2. To achieve an above-median ranking within the Frank Russell Company universe of international stock portfolios.

INVESTMENT GUIDELINES FOR
WILLIAM BLAIR (INTERNATIONAL GROWTH)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005
Revised October 31, 2006
Revised April 20, 2007
Revised February 25, 2008

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised February 25, 2008.

Guidelines

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. William Blair will invest in a growth-oriented, diversified portfolio that will typically hold between 140 - 200 securities. The firm's investment philosophy is to focus on companies with above-average growth prospects where growth can be sustained through leading or franchise positions in terms of proprietary products, marketing dominance, or cost/asset base advantage. Portfolio candidates typically have above-average prospective growth, evidence of sustainability of future growth, above average profitability and reinvestment of internal capital, and conservative capital structure relative to sector norms.

Permissible investments

1. Common or preferred shares of foreign corporations listed and traded on nationally recognized exchanges or over the counter markets.

2. Convertible bonds, debentures or preferred shares which are convertible into corporate stock

3. Warrants or rights to equity securities

4. Cash or cash-equivalent securities, including money market mutual funds and equivalent commingled funds; U.S. Treasury Bills; commercial paper; certificates of deposit; bankers' acceptances and repurchase agreements collateralized by US Treasury or Agency Securities

5. SEC Rule 144A securities

6. The investment manager may engage in various transactions to hedge against currency risk. Forward contracts, futures and options may be used for currency hedging purposes. The investment manager may hedge a maximum of 50% of the portfolio at market value.

7. The investment manager may use futures and exchange traded funds in order to equitize cash.

Prohibited Investments

1. Letter or restricted stock

2. Short sales of any type

3. Share purchases involving the use of margin

Portfolio Construction Guidelines

1. The portfolio will be diversified by region and country.

   - The minimum allocation to the UK, Europe ex-UK, and Japan, respectively, is 5% and the maximum allocation is 55%
   - The portfolio may invest a minimum of 5% of the portfolio up to a maximum of 35% in emerging markets companies

2. The portfolio will be diversified by sector as defined by the investment manager, with no individual sector representing over 35% of the portfolio, based on market value.

3. The maximum allocation to any one security is 5% of the portfolio (at market value). Notwithstanding this limitation, no immediate liquidation of investment shall be required solely due to changes in market value.

4. The amount of cash and cash equivalents will not exceed 10% of the portfolio, except during periods of cash contributions and withdrawals.

5. There are no market capitalization restrictions for securities in the portfolio.

6. If the manager breaches the portfolio construction guidelines due to market movements, it must notify the client regarding this matter.

Performance Measurement

1. The benchmark for this strategy is MSCI ACWI ex-US Index

2. A secondary benchmark is the MSCI ACWI ex-US Growth Index

3. To achieve an above-median ranking within the Frank Russell Company universe of international stock portfolios.

Section 8

FIXED INCOME MANAGERS

INVESTMENT GUIDELINES FOR
GAM
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO
Unconstrained Bond Fund, a commingled investment vehicle (the "Fund")

Adopted April 17, 2015

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised April 17, 2015.

The primary benchmark for the portfolio will be the Three Month LIBOR (the "Benchmark"); however the Barclays Capital Aggregate may be utilized as a secondary benchmark.

Eligible Investments

As set forth in the Fund's prospectus, as may be amended, modified or supplemented from time to time (the "Prospectus"):

The Fund, including through its investment in the Master Fund (as defined in the Prospectus), may invest in all types of bonds and currencies in any market, including emerging markets. These bonds, which may include mortgage and asset-backed related securities and structures, may have fixed or variable coupons, may be investment grade or sub-investment grade, rated or unrated, may be linked to equities or other asset classes (for example, convertible or exchangeable bonds), may have long or short tenor, may be denominated in any currency, and may be listed or unlisted, or exchange-traded or over-the-counter. Investment may also be made in shares of listed and unlisted collective investment vehicles, including closed-end funds whose investment universe is similar to that of the Fund, or to gain access to basic instruments in which the Fund may invest directly.

The Fund may also deal in derivatives either for investment or hedging purposes as the delegate investment manager deems appropriate. Derivatives may include, among others, futures contracts (including interest rate and index futures), swap contracts (including interest rate swaps, credit default swaps (CDS), for single issuers, CDS on indices, credit spread swaps, credit-linked total return swaps, currency swaps, inflation swaps, and total return swaps), contracts for differences, forward contracts (including foreign exchange contracts and interest-rate futures), options (including options on single issues, options on interest rate futures, options on interest rate swaps, interest rate caps and interest rate floors, options on CDS indices, options on currencies, options on single stocks, options on stock index futures, options on the implied volatility of stock indices, volatility swaps, and asset swapped convertible options), as well as derivatives on commodities, and insurance linked securities. The Fund may also use equity derivatives for hedging or portfolio enhancement purposes, for example, long put on equity securities when the Fund holds debt of the same company. The Fund may also use structured products including credit-linked notes, equity-linked notes, performance-linked notes, index-linked notes and other notes whose performance is linked to basic instruments in which the Fund may invest directly.

Duration

The typical average duration range of the Master Fund's portfolio is expected to be between -3 years to +5 years.

Maximum Sector allocations (% of Market Value)

In general, the Master Fund will invest in line with the below sector allocation limits. The limits below are net long or short (including derivatives exposure) as a percentage of total long exposure, including cash, at time of purchase.

Sector	Maximum (%)
Developed Governments	65
Investment Grade	40
Emerging Markets	25
Convertibles	20
High Yield Credit	15

Variances from the sector allocation limits may occur due to several factors, including changes in the market environment. The Fund and Master Fund may retain cash and cash equivalents in appropriate circumstances. Such circumstance may include holding cash on deposit pending investment in order to meet a withdrawal.

Investment Restrictions

As set forth in the Prospectus:

Although the governing documents of the Master Fund do not contain any restrictions on the investment of its assets, under normal circumstances, the Master Fund typically will not:

(A) invest more than 20 per cent. of its gross assets (defined below) in the securities of any one issuer. This limit will not apply to securities issued or guaranteed by a government, government agency or instrumentality of any EU or OECD member state or by any supranational authority of which one or more EU or OECD member states are members and any other state approved for such purpose by the Irish Stock Exchange;

(B) invest in real property or physical commodities;

(C) take or seek to take legal or management control of the issuers in which it invests;

(D) expose more than 20 per cent. of the value of its gross assets to the credit-worthiness or solvency of any one counterparty;

(E) allow its Value at Risk (defined below) to exceed 2.5 per cent. of its Net Asset Value using a 97.5 per cent. confidence level and a one month horizon; and

(F) short sell physical fixed income securities, but may enter into derivative transactions to effect a “synthetic” short position.

The term “gross assets”, mentioned above in (A), means the total value of all investments held by the Master Fund before deducting any liabilities, including borrowings.

The restriction referred to in (D) above will not apply to any transaction between the Master Fund and another counterparty (i) that advances full and appropriate collateral to the Master Fund in respect of the transaction or (ii) that (a) is trading on or subject to the rules of a recognized exchange or with counterparties that have (or whose parent company has) a specified credit rating, (b) is regulated by the CFTC or the FCA or such other regulatory authority as may be agreed by the Irish Stock Exchange and (c) has financial resources of US$20 million (or its equivalent in another currency).

The expression “Value at Risk”, mentioned above in (E), is a measure of the potential change in the value of a portfolio of financial instruments with a given probability over a pre-set horizon.

Except where specified to the contrary, the above restrictions apply as at the date of the relevant transaction or commitment to invest. Changes in the investment portfolio of the Master Fund will not have to be effected merely because any of the limits contained in such restrictions would be breached as a result of any appreciation or depreciation in value, or by reason of the receipt of any right, bonus or benefit in the nature of capital or of any scheme or arrangement for amalgamation, reconstruction or exchange or by reason of any other action affecting holders of the relevant investment. However, no further relevant securities will be acquired until the applicable restriction is within the appropriate limit. In the event that any of the investment restrictions referred to in (A), (B), (D) and (E) are inadvertently breached, the investment manager will take prompt corrective action to rectify the breach taking due account of the interests of the Shareholders. The restriction referred to in (C) above may not be breached at any time.

Although the Master Fund may invest directly in securities, the above restrictions will not prevent the Master Fund from investing indirectly through one or more wholly-owned subsidiaries or other vehicles where the Master Fund’s Board of Directors consider that such an investment would be commercially and tax efficient or provide the only practicable means of access to the relevant security or investment.

The Master Fund has the power to borrow to cover late subscriptions, facilitate redemptions and payment of expenses, including where not doing so would otherwise result in the premature realization of assets. Leverage may also be achieved by the Fund or the Master Fund through the use of derivative instruments.

Investment Objective

Over a longer term time horizon, to achieve an annualized rate of return of 3%-5% over the Benchmark.

INVESTMENT GUIDELINES FOR
LM CAPITAL GROUP, LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 26, 2006

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June, 2006.

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The portfolio will not invest in any forbidden entity as defined by Illinois Public Act 094-0079.

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Government bonds
- U.S. corporate bonds
- Mortgage-backed securities
- Asset-backed securities
- Bonds and preferred stock convertible into common stock
- Preferred stock
- Municipal bonds
- Structured notes
- Cash equivalents
- Closed end bond funds
- Derivative mortgage-backed securities
- Bonds of developed non-U.S. issuers
- Bonds of emerging non-U.S. issuers
- Fixed income and currency futures, options, forward contracts and swaps
- Private placement bonds
- Rule 144(a) securities
- Commercial mortgage-backed securities
- Capital notes/Preferred trust certificates
- Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed on the following page on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Security Type Qualifications

1. The Portfolio may buy and sell exchange-traded and over-the-counter interest rate, credit, index and currency futures; currency, interest rate, total rate of return, and credit default swaps; currency, bond, and swap options; currency and bonds for forward settlement and other derivative instruments for risk management purposes and in pursuit of the Portfolio's investment objectives.

2. Futures, options and forward contracts are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities.

3. Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.

4. Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality

1. The total fixed income portfolio will maintain a minimum average credit quality rating of A-. The rating used to determine the quality of the individual securities will be the median of the ratings supplied by S&P, Moody's, and Fitch.

2. A maximum of 5% of the portfolio may be invested in unrated securities. These unrated securities will be deemed investment grade quality by LM Capital Group's internal credit analysis group.

3. The minimum allowable rating for any security at the time of purchase will be B3/B-.

4. Any securities that are downgraded below the minimum credit rating described above may be held at the manager's discretion. Policemen's Annuity and Benefit Fund, City of Chicago will be notified in writing of all such downgrades and/or bankruptcies, including the reasons behind these events as well as the manager's retention plan for these securities within the immediate time horizon.

Duration

The portfolio may be invested in securities covering the full range of available maturities. The average weighted effective duration of the portfolio shall not vary by more than +/- 20% of the average weighted effective duration of the Barclays Aggregate Bond Index.

Concentration Limits (all limits refer to the total market value of the portfolio)

1. Up to 20% of the portfolio may be invested in issues rated below BBB/Baa2.

2. Up to 5% of the portfolio may be invested in issues rated below B/B2.

3. Up to 10% of the portfolio may be invested in issues rated below BB+/Ba1.

4. Up to 20% of the portfolio may be invested in U.S. Dollar-denominated emerging market securities.

5. UP to 10% of the portfolio may be invested in non- U.S. Dollar-denominated securities.

6. Up to 10% of the portfolio may be invested in Private Placements (excluding securities eligible for resale under rule 144A).

Diversification Requirements

1. No more than 25% of the Portfolio's assets may be invested in securities of issuers in any one industry excluding U.S. government and U.S. government agencies.

2. Obligations of other issuers or issues are subject to a limit of 5% of portfolio.

3. U.S. government, U.S. government agencies, or U.S. government-sponsored corporations and agencies, and obligations issued by other national governments may be held without limit.

4. The cumulative allocation to US High Yield, Non-US Dollar denominated bonds and emerging market debt shall not exceed 30% at any time.

Currency Hedging

LM Capital Group, LLC may engage in transactions to hedge against currency risks. Forward contracts, Futures and Options may be used for currency hedging purposes. LM Capital Group, LLC is not permitted to utilize these transactions for speculative purposes.

Prohibited Transactions

5. The portfolio shall not be invested in interest only or principal only securities.

6. The portfolio shall not be invested in mortgage residuals or direct real estate.

7. The portfolio shall not be invested in common stocks or commodities or derivatives thereof.

8. The portfolio shall not be invested in derivative instruments (including leveraged structured notes) except as authorized for currency hedging purposes.

9. No assets shall be committed to short sale contracts.

10. The portfolio shall not use leverage except for rolling mortgage pass-through securities.

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.

2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

2. The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

INVESTMENT GUIDELINES FOR
MACKAY SHIELDS LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Unconstrained Bond Portfolio

Adopted March 5, 2015

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised March 5, 2015.

The primary benchmark for the portfolio will be the Three Month LIBOR + 3% (the “benchmark”), however, the Barclays Capital Aggregate Index will be utilized as a secondary benchmark.

The Investment Manager is authorized to invest in the major fixed income markets with a focus on liquidity and capital preservation. 100% of the portfolio will be traded in U.S. dollars. The manager is allowed to invest in the following types of securities:

- those issued or guaranteed by the US or foreign governments;
- corporates issued by US or foreign corporations;
- obligations of international or supranational entities;
- municipal bonds;
- mortgage-related and other asset-backed securities;
- convertible bonds;
- variable or floating rate debt (including bank loans)

Minimum Credit Quality and Duration

Portfolio average credit quality must be BB+ or higher (as defined by S&P, Moody’s, or Fitch). For split rated securities the manager will employ the median rating (following the benchmark methodology).

Non-rated securities (MacKay Shields internal rating will apply) can be purchased up to 20% of the total market value of the portfolio

Duration must be between 0 to 7 years

Maximum Sector Ranges (% of Market Value)

Corporates	0 - 100%
High Yield	0 - 60%
Bank Loans	0 - 50%
Emerging Markets	0 - 40%
Convertibles	0 - 20%
Agency pass throughs/TBAs	0 - 100%
Non-agency MBS/CMBS/ABS	0 - 50%
Sovereigns/Treasuries/Agencies	0 - 100%
Municipals	0 - 25%

Ineligible Investments

- Stock Options
- Commodity Contracts
- Real Estate

Other Restrictions

- Use of leverage is not permitted
    - The following do not constitute leverage:
        - Futures notional exceeding 100% of the portfolio (i.e. futures notional constrained by duration limit of 0-7 years). Futures notional is limited to 300%.
        - Holding futures which are not 100% collateralized by cash and cash equivalents.
- Short sales are not permitted
- Futures contracts may be used for hedging interest rate risk
- Use of credit default swaps and total return swaps is not permitted

Investment Objective

1. To exceed the annualized rate of return of LIBOR + 3% and the Barclays Capital Aggregate Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of total fixed income managers.

INVESTMENT GUIDELINES FOR
MANULIFE ASSET MANAGEMENT
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO
Adopted December 15, 2014

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" as adopted and most recently revised December 15, 2014.

The benchmark for the portfolio will be the Barclays Global Aggregate Index (the “benchmark”).

The Strategy invests primarily in global debt securities and other fixed income and related instruments as deemed by the portfolio manager to be consistent with the investment objective. The Strategy focuses its investments in government, corporate and securitized debt securities and other instruments issued in developed and emerging markets countries, which may be denominated in U.S. dollars or other foreign currencies.

Subject to the restrictions outlined below, the Strategy invests in a variety of debt securities and other fixed income and related instruments, including, but not limited to, U.S. and foreign government, agency and corporate bonds, debentures and notes (including emerging market and high yield securities), mortgage pass-through securities, collateralized mortgage obligations, commercial mortgage-backed securities, asset-backed securities, bank loans, variable and floating rate securities, inflation linked securities, stripped debt securities, zero-coupon securities, when-issued securities, privately placed unregistered securities (including Rule 144A with and without registration rights and Regulation S securities), municipal bonds and convertible securities.

The Strategy may invest in unrated securities, preferred stocks, real estate investment trusts and exchange-traded funds (“ETFs”), as well as commercial paper, cash and cash equivalents, and derivative instruments, all as deemed by the portfolio manager to be consistent with the investment objective.

The Strategy invests in foreign currencies and engages in other foreign currency transactions, such as currency forwards, options and exchange-traded futures, for investment or hedging purposes. The Strategy may also invest in interest rate futures and options that are traded on an exchange or over-the-counter (“OTC”) for investment or hedging purposes.

Investment Guidelines and Restrictions

<u>Derivatives</u> – Financial derivatives may be used to manage risk, provide diversification and enhance returns. The Strategy may engage in exchange-traded or over-the-counter (“OTC”) interest rate and currency futures and options as well as forward currency contracts. The Strategy employs a variety of derivative strategies with respect to specific portfolio holdings, the entire portfolio or to both. In implementing these strategies, the portfolio may enter into more than a single derivative transaction. With respect to managing foreign currency exposures, such strategies include “cross-hedging” and “proxy hedging.”

<u>Leverage</u> - When engaging in derivative transactions, the Strategy does not “borrow” or take on debt for the purpose of creating leverage. However, derivatives may provide the economic equivalent of leverage because they display heightened price sensitivity to market fluctuations.
Unless otherwise indicated, the limits and restrictions listed below are determined at time of purchase:

<u>Average Credit Quality</u> – The Strategy’s minimum average credit quality will be investment grade (BBB-/Baa3). The Strategy may invest in individual securities that are rated below investment grade or unrated. An individual security’s rating will be determined using the middle rating of Moody’s, S&P and Fitch. If only two of the three agencies rate the security, the lower rating is used. If an issue is not rated by one of these rating agencies, then the portfolio manager will determine a rating.

Duration/Interest Rate Exposure – The Strategy intends to maintain an effective duration of four years, which can fluctuate within a range of plus or minus two years.

Foreign Currency Exposure – The Strategy's net foreign currency exposure will be calculated as the sum of all non-U.S. dollar exposure achieved through the Strategy's debt securities and other fixed income and related instruments, currency forward contracts and currency futures.

> The Strategy's net foreign currency exposure will not be greater than the aggregate non-U.S. dollar currency exposures of the Strategy's debt securities and other fixed income and related instruments nor will it be lower than 0% (i.e., a net short exposure to non-U.S. dollar currencies).

> In managing the risks of the overall Strategy, the portfolio management team will have discretion to invest in currency options.

Issuer Exposure – The Strategy's maximum exposure to any one issuer, as determined by the portfolio manager, is 5% of total assets. The U.S. Government or its Agencies, the central governments of foreign countries in which the Strategy may invest, and fixed income securities issued by supranationals backed or jointly owned by more than one national government, are not subject to this individual issuer limitation.

Foreign Government Exposure – No more than 25% of the Strategy's total assets will be invested in government securities of any one foreign country.

Emerging Markets Exposure – The Strategy's maximum exposure to securities issued in emerging markets, as determined by the portfolio manager, including those denominated in developed and local currencies, will be 40% of total assets.

> Individual emerging markets country exposure, as determined by the portfolio manager, will be limited to 10% of total assets.

High Yield Corporate Exposure – The Strategy's maximum exposure to securities issued by corporations rated below investment grade, including bank loans, convertibles and preferred stocks, is 50% of total assets.

Corporate Industry Exposure – The Strategy's maximum exposure to any one industry, as defined by the Bloomberg Level 2 sector classification, is 25% of total assets.

Mortgage-Backed and Asset-Backed Securities – The Strategy's maximum exposure to residential mortgage-backed, commercial mortgage-backed and asset-backed securities combined is 40% of total assets.

Preferred Stocks – No more than 10% of the Strategy's total assets will be invested in preferred stocks.

Common Stocks – The Strategy will not acquire any equity securities, except for permitted investments in preferred stock. The Strategy will not invest in common stocks except those acquired as a result of holding debt securities and/or other corporate action events. The Portfolio's maximum exposure to common stocks is 10% of total assets.

Private Placements – Private placement debt, excluding Rule 144A (with and without registration rights) securities and Registration S securities, may not exceed 10% percent of the Strategy's total assets.

Cash – Under normal market conditions, the Strategy seeks to be fully invested and the Strategy's cash balance, excluding short-term, cash equivalents backing futures, swaps or forwards, will be less than 10% of its total assets. In abnormal market conditions, the Strategy may temporarily invest extensively in short-term, cash-equivalent securities.

Investment Objective

1. To exceed the annualized rate of return of the Barclays Global Aggregate Index, net of fees, over reasonable measurement periods.

2. To achieve an above-median ranking, net of fees, within a universe of core-plus fixed income managers.

INVESTMENT GUIDELINES FOR
WELLINGTON MANAGEMENT COMPANY LLP
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted May 25, 2004
Revised June 23, 2005
Revised April 26, 2006
Revised January 24, 2013

Guidelines

Notwithstanding anything in the next three paragraphs, or anything else in these Guidelines, to the contrary, the Advisor will at all times comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1. The Client will notify Wellington Management in the event amendments to these Guidelines are needed to conform to any changes in such provisions of law, the regulatory policies or any organizational documents applicable to the Client.

Any benchmark(s) or objective(s) specified herein are intended as targets only, and there is no assurance or guarantee that they will be met or that any particular investment result or return will be achieved.

Unless otherwise noted, all portfolio limitations and attributes are measured at the time of acquisition of each investment. If events outside of Wellington Management's reasonable control, including market movements, cash flows, or rating or index changes, cause the portfolio to be out of compliance with a limitation or attribute, Wellington Management will not be deemed to have breached these Guidelines, and may continue to hold the security but shall notify the Client of material non-compliance within a reasonable time.

Non-compliance with an investment guideline, limitation or portfolio attribute caused by Wellington Management's reasonable reliance on market data will not be deemed a breach of these Guidelines. Wellington Management shall notify the Client of any material non-compliance caused by reliance on market data, and the Client and Wellington Management shall determine the next appropriate steps.

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Government bonds
- U.S. corporate bonds
- Mortgage-backed securities
- Asset-backed securities
- Bonds and preferred stock convertible into common stock
- Preferred stock
- Municipal bonds
- Structured notes
- Cash equivalents
- Closed end bond funds
- Contingent Convertible Bonds ("CoCos")
- Derivative mortgage-backed securities
- Bonds of developed non-U.S. issuers
- Bonds of emerging non-U.S. issuers
- Fixed income and currency futures, options, forward contracts and swaps
- Private placement bonds
- Rule 144(a) securities
- Commercial mortgage-backed securities
- Capital notes/Preferred trust certificates
- Commingled funds investing in fixed income securities

Restrictions

The total portfolio must comply with the restrictions listed below on the basis of both percentage of assets and percentage contribution to total portfolio duration.

Security Type Qualifications

1. The Portfolio may buy and sell exchange-traded and over-the-counter interest rate, credit, index and currency futures; currency, interest rate, total rate of return, and credit default swaps; currency, bond, and swap options; currency and bonds for forward settlement and other derivative instruments for risk management purposes and in pursuit of the Portfolio's investment objectives.
2. Derivatives Instruments are allowed to the extent that they are used in a manner that does not materially increase total portfolio volatility or relate to speculative activities.
3. Structured notes are permitted provided that the note's investment characteristics are of a fixed income nature.
4. Preferred stock and bonds convertible into common stock are permitted provided that they exhibit bond-like characteristics.

Credit Quality

1. The total fixed income portfolio will maintain a minimum average credit quality rating of BB. For the purpose of determining credit ratings, if a security is rated by Moody's, S&P, and Fitch, the credit rating assigned will be the middle of the three ratings, without regard to the highest and lowest ratings. If a security is rated by any two of Moody's, S&P, or Fitch, the credit rating assigned will be the lower of the two ratings. If only one rating agency rates a security, that rating will be used. If an issue is unrated, then an equivalent credit rating, as determined by Wellington Management in good faith, may be used. In the case an internal equivalent rating is used, Wellington Management will notify the Client within a reasonable time.
2. Bonds rated investment grade by Fitch, Moody's, or Standard & Poor's must comprise at least 80% of the total portfolio.
3. The portfolio's below-investment grade holdings are limited to a maximum of 1% in any single issuer.

Duration

The average duration of the Portfolio ranges between +/- 25% of the average duration of the Index.

Non-U.S. Exposure

1. Up to 20% of the Portfolio's market value may be invested in issues denominated in currencies other than US dollars.
2. Non-US dollar currency exposure is at times entirely unhedged, partially hedged, or fully hedged, depending upon the investment outlook. Currency forwards, options, and futures are also employed to adjust and hedge the Portfolio's currency exposure. Within the limit of the 20% non-US dollar-denominated exposure the Portfolio may take currency positions unrelated to underlying portfolio holdings.

Emerging Markets

1. Obligations of issuers domiciled in Emerging Markets will be limited to 10% of the market value. Emerging Markets are defined as countries whose long-term foreign-currency sovereign debt rating is Ba1 and BB+ or below.
2. Not more than 1% of the portfolio will be held in bonds issued by any single entity domiciled in a country defined as Emerging Markets.

Additional Sector and Position Limits

1. To the extent that the portfolio holds an allocation to non-US dollar denominated non-investment grade emerging market bonds, that exposure shall also count against the total portfolio's 20% high yield maximum and 20% non-U.S. maximum.
2. In total, the exposure to non- US dollar denominated investment grade, high yield domiciled in developed countries, and emerging market debt securities will not exceed 30%.
3. 144(a) securities shall not exceed 20% of the total portfolio.
4. Preferred stock and bonds convertible into common stock shall not exceed 5% of the total portfolio.
5. Excluding U.S. government and agency issues the portfolio is limited to a 5% allocation in any single investment grade U.S. issuer.

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.
2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the total fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

The fixed income portfolio should be broadly diversified across markets, sectors, securities, and maturities in a manner consistent with accepted standards of prudence.

INVESTMENT GUIDELINES FOR
WELLS CAPITAL MANAGEMENT (MONTGOMERY)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted May 25, 2004
Revised June 23, 2005

These investment guidelines extend the "Statement of Investment Policy for the Policemen's Annuity and Benefit Fund of Chicago" dated July 22, 1983, and most recently revised June 23, 2005.

Guidelines

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

The total portfolio may invest in the following types of securities, subject to the restrictions listed below.

- U.S. Treasury and Agency bonds
- U.S. corporate bonds
- U.S. Government Agency pass-through securities (MBS) and TBAs
- Sequential and Planned Amortization Class collateralized mortgage obligations (CMOs)
- Commercial mortgage-backed securities (CMBS)
- A1P1 or A2P2 commercial paper
- Asset-backed securities
- Municipal bonds
- Cash equivalents
- Futures, options and forward contracts
- Rule 144(a) securities
- Commingled funds investing in fixed income securities (that do not violate portfolio guidelines)
- Dollar denominated

Risk Control

1. The use of short sales, margin purchases or leverage is prohibited.

2. Investments in mortgage-backed securities that a manager classifies as exhibiting unusually high interest rate sensitivity relative to typical U.S. Government agency mortgage pass-through issues is prohibited. Examples of securities likely to qualify as “highly interest rate sensitive” include IOs, POs and inverse floaters.
   Securities convertible into common stock or other equity ownership are prohibited.

3. Private placement (excepting Rule 144(a) securities are prohibited.

Benchmark

The benchmark is the Barclays Brothers Aggregate Index (the “Index”).

Duration

Maintain an effective duration of plus or minus 10% of the benchmark.

Diversification

1. The Total Account will maintain a minimum average credit quality rating of A.

2. A maximum of 25% of the portfolio may be invested in BBB-rated securities.

3. At time of purchase, no issuer, except for U.S. Government and Agency issues, may be greater than the higher of (a) 3% above its weighting in the Index or (b) 3% of the Account's market value for securities outside of the Index.

4. Maximum of 5% of the portfolio value per issuer unless the issuer is the U.S. government or its Agencies, in which case there is no limit.

5. 144(a) securities shall not exceed 15% of the total portfolio.

6. With the exception of #7 below, at the time of purchase, all securities must have a minimum credit quality of BBB- (or comparable). If a security is downgraded below investment grade ("fallen angel"), the manager must communicate the downgrade and the expectation for sale or recovery in writing to the client and its consultant. The manager is not forced to sell upon a downgrade.

7. Up to 5% of the portfolio can be invested in securities rated below investment grade

Performance Measurement

The performance objective of the portfolio is to:

1. Exceed the rate of return of the Barclays Aggregate Bond Index over reasonable measurement periods, net of fees.

2. Achieve an above-median ranking within a universe of fixed-income funds.

Investment Objectives

1. The goal of the core fixed income portfolio is to provide above-average total return in a manner that is consistent with the typical rate-of-return volatility exhibited by broad market fixed income portfolios.

2. The fixed income portfolio should be broadly diversified across markets, sectors, securities and maturities in a manner consistent with accepted standards of prudence.

Section 9

PRIVATE EQUITY MANAGERS

INVESTMENT GUIDELINES FOR
ADAMS STREET PARTNERS U.S. PARTNERSHIP FUND
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

The Fund is invested in the Adams Street Partners U.S. Partnership Fund.

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

2. The Fund will make commitments to private equity partnerships that will in turn typically invest these assets over a three- to four vintage year period.

3. No more than 10% of a participant's subscription to the Fund will be allocated to any one partnership investment.

4. Up to 40% of each participant's subscription to the Fund may be used to purchase interests in secondary private equity partnerships.

5. Typically 15-20 U.S. private equity partnership investments will be made during each year of the Fund's investment period.

6. The Fund will target the following allocations for partnership assets: venture capital (25-50%), buyouts (30-50%), and 'other' (including mezzanine/subordinated debt, restructuring/distressed debt and special situations partnerships) (10-25%).

7. Beginning in year eight, fees will be reduced to 90% of the regular fee, then 80% of the regular fee in year nine, 70% in year ten, etc.

Performance Benchmark -- The manager's performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
AIM (INVESCO) PRIVATE CAPITAL
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

20% of the total commitment from Chicago Police will be allocated to INVESCO U.S. Venture Partnership Fund IV, L.P., 60% to INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, L.P., and the remaining 20% to INVESCO International Partnership Fund IV, L.P.

INVESCO U.S. Venture Partnership Fund IV, L.P.

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
2. The venture sector fund is expected to include both early stage and later stage partnerships.
3. The manager expects to invest a significant proportion of the capital in software, specialized semiconductors and communications enabling technologies, with a smaller amount flowing into medical and healthcare projects.
4. A typical holding is currently expected to average 5% of the sector fund's total commitments with no single partnership holding comprising more than 20% of the venture sector fund's portfolio.
5. The targets and expectations may vary depending on market conditions.

INVESCO U.S. LBO & Corporate Finance Partnership Fund IV, L.P.

1. The buyout sector fund targets small and mid-sized U.S. buyout (50%), large U.S. buyout (30%), and U.S. expansion, distressed, turnaround and special situation groups (20%).
2. No single partnership holding would comprise more than 20% of the sector fund's commitments at the time of investment and the average commitment is currently expected to be 5% of the sector fund.
3. The targets and expectations may vary depending on market conditions.

INVESCO International Partnership Fund IV, L.P.

1. The international fund targets non-U.S. venture (20%) and non-U.S. buyout / corporate finance (80%). In addition, the manager is targeting 80% of the sector fund to groups focused on Europe and the remaining 20% to groups investing in Asia and Latin America.
2. No single partnership holding would comprise more than 20% of the sector fund and the average holding is expected to be 5% of the sector fund's portfolio.
3. The targets and expectations may vary depending on market conditions.

Performance Benchmark -- The manager's performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
MESIROW FINANCIAL PRIVATE EQUITY
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 23, 2005

The Fund is invested in the Mesirow Financial Private Equity Partnership Fund (Fund-of-Funds).

1. The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
2. The Fund will make commitments to private equity partnerships over a three- to four vintage year period.
3. The Fund will allocate assets to venture capital (30-50%), corporate finance/buyout (30-50%), special situations – including mezzanine, industry-focused strategies, distressed and other (5-20%), and will also allocate a portion of the portfolio internationally (10-15%). In addition, limited, opportunistic purchases of secondary partnership interests will be permitted.
4. The Fund will be comprised of between 35-45 underlying managers.
5. The Fund will have an initial investment term of 12 years with three one-year extensions.
6. Beginning in year eight, fees will be reduced on an annual basis to 90% of the previous year’s fee.

Performance Benchmark -- The manager’s performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

Investment Guidelines FOR
MULLER & MONROE ASSET MANAGEMENT, LLC (“M^2” or “The Advisor”)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO (“PABF”)
Adopted June 23, 2005
Modified: January 24, 2011
PABF is invested in the following partnerships: Illinois Private Equity Fund-of-Funds, L.P. (“ILPEFF”), M^2 Private Equity Fund-of-Funds, L.P. (“MPEFF”)

COMMON PROVISIONS FOR ALL PRODUCTS:

1. The Advisor will comply with all the applicable provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

1. ILPEFF and MPEFF are focused exclusively on emerging managers following the guideline definition of emerging manager to include managers with less than $1.0 billion total assets under management. (contractual provision)

2. Portfolio construction will be driven by deal flow in the market during the investment period and M^2's internal due diligence process.

ILPEFF PROVISIONS:

1. ILPEFF made 14 commitments to Investee Funds.

2. ILPEFF targeted approximately 30% of assets towards earlier stage strategies (i.e. venture capital); the general partner is biased against very early stage venture partnerships.

3. Approximately 70% of assets are focused toward later stage strategies, including buyouts, special situations/distressed, and mezzanine. Approximately less than 11% of assets are mezzanine

4. 51% of assets were committed to minority or women managers. (contractual provision)

5. 49% of assets were committed to Midwest-based and Mid-west-focused managers (contractual provision).

MPEFF PROVISIONS:

1. MPEFF will make approximately 9 commitments to Investee Funds.

2. MPEFF will target approximately 1/3rd of assets towards earlier stage strategies (i.e. venture capital); the general partner is biased against very early stage venture partnerships.

3. Approximately 2/3 of assets will be focused toward later stage strategies, including buyouts, special situations/distressed, and mezzanine. Approximately less than 10% of assets will be mezzanine; approximately only 1 distressed manager 5-10% of assets if any; most of the investments in MPEFF will be middle market buyouts.

4. Some assets will be committed to minority or women managers but there is no contractual target.

5. Some assets will be committed to Midwest-based and Midwest-focused managers but there is no contractual target.

Performance Benchmark -- The underlying investee funds in the fund-of-funds portfolios will be compared with the appropriate vintage year median return of a universe of private equity funds published by Thomson Financial.

INVESTMENT GUIDELINES FOR
RCP ADVISORS, LLC
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in RCP Fund VI, L.P. (Fund-of-Funds).

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to private equity partnerships over a three vintage year period.
- The Fund will allocate assets to buyout funds, with a specific focus on small- to middle-market managers. The Fund will also allocate a portion of the portfolio internationally (up to 30%). In addition, limited, opportunistic purchases of the equity securities of certain individual, privately-held companies will be permitted (5%).
- The Fund will allocate no more than 20% of the committed capital to one or more underlying funds which are managed by the same team or affiliates.
- The Fund will be comprised of between 12-15 underlying funds.
- The Fund will have an initial investment term of 12 years with three one-year extensions.
- The management fee will be 1.00% of committed capital. After year five, the management fee will decrease to 0.75% of committed capital. No management fee will be charged after year ten.

Performance Benchmark -- The manager’s performance will be compared with the appropriate vintage year median return of a universe of private equity funds published by Venture Economics, Inc.

INVESTMENT GUIDELINES FOR
INVESCO VENTURE ALPHA FUND, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted August 1, 2017

The Fund is invested in Invesco Venture Alpha Fund, L.P. (Fund-of-Funds)

1. The Partnership will target funds focused on seed and early-stage investing, but may also pursue certain funds targeting later-stage investments.

2. The Partnership will make investments over a five year investment period.

3. The Partnership will target at least 80% of its investments in portfolio funds that invest primarily in U.S.-based venture capital investments and direct company investments into venture-backed companies. The Partnership may also seek to purchase investments in secondary transactions. Without the approval of the LPAC or a majority in interest of the LPs, the Partnership will not (i) invest more than 20% of aggregate Commitments in the securities of any one portfolio fund or any one portfolio company or (ii) invest more than 30% of aggregate Commitments directly in portfolio companies.

4. A typical commitment is not expected to exceed 5% to 10% of aggregate Commitments.

5. Subject to earlier termination, the Partnership's term will be 12 years, which may be extended automatically for consecutive one-year periods if the Partnership continues to hold interests in any portfolio fund or portfolio company. Thereafter, the term may be extended for additional one-year periods by the GP with the consent of a majority in interest of the LPs or the LPAC.

6. The management fee rate is (i) 50 basis points per annum for the first year, (ii) 75 basis points per annum for the second year, (iii) 100 basis points per annum for each of the next three years and (iv) during each year thereafter until final distribution, 90% of the prior year's management fee rate, but not below 40 basis points per annum. CPABF receives a 20% discount on each of (i)-(iv) above.

Section 10

PRIVATE CREDIT STRATEGIES

INVESTMENT GUIDELINES FOR
BEACH POINT SELECT FUND LP. (BEACH POINT)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all the applicable provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager shall use best efforts to comply with all applicable laws of the State of Illinois and the U.S., and any applicable governmental or regulatory authority outside of the U.S.

  The investment manager acknowledges and agrees it shall be a fiduciary with respect to the Fund for so long as the Fund is an investor.

- Investment Objective and Strategy: The investment fund's objective is to achieve attractive long-term returns with less-than-commensurate risk through a flexible, multi-strategy investment approach. The investment manager anticipates investing in a portfolio primarily consisting of high - yield securities and other credit-related opportunities, distressed and special situation investments, undervalued and event-driven equities and a variety of other securities and instruments and may take both long and short positions. This investment fund is expected to hold fewer and more concentrated positions than other investment funds and accounts managed by the investment manager.

  The investment manager may utilize leverage to enhance returns. The investment fund may also invest in cash and money market debt securities for defensive purposes from time to time.

- Investment Limitations Include: The Investment Management Agreement and the Partnership Agreement generally impose no limits on the types of securities or other instruments in which the investment fund may take positions, the choice of sectors or markets (U.S. or non-U.S.) within which it may invest, the type of positions it may take, the investment or trading strategies it may use, its ability to borrow or use other types of leverage or the concentration of its investments.

- Other Fees: The investment manager shall be reimbursed for various expenses as set forth in the Partnership Agreement including any fees, commissions, expenses or charges related to (i) custodial registrar or transfer agency services provided for the investments of the investment fund, (ii) transactions effected for the investments of the investment fund, (iii) any other service provided for the investments of the investment fund by any other party other than the investment manager and (iv) legal costs and other matters for which the investment fund's governing document permit the investment manager to be reimbursed.

INVESTMENT GUIDELINES FOR
BLUEPRINT CAP I, L. P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

- Compliance with Laws: The Investment Adviser acknowledged that it is a fiduciary as is required under the Illinois Pension Code, specifically 40 ILCS 5/1-113.14(c)(1). The Investment Adviser represented and warranted that it shall at all times act in accordance with the Illinois Pension Code (40 ILCS 5), including but not limited to the applicable provision set forth in sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 thereof.

- Investment Objective and Strategy: The investment fund will serve as a platform to facilitate investments through the purchase of interests in a series, generally in one or more dedicated managed account investment portfolios or “sub-funds,” each managed by a third-party portfolio manager or “sub-advisor”. The investment fund will invest in sub-funds, commingled vehicles and/or other investments. The investment objectives, strategies, fees, risks, certain relevant terms and other applicable considerations of any sub-fund will be set forth in such sub-fund’s supplement.

- Target Performance: The investment fund will target a 5% yield.

- Term: The investment fund’s term is perpetual and will continue until the date of dissolution and termination of the investment fund.

- Management Fee: The investment fund’s management fee during the investment period is 0.50% of the capital commitment and after the investment period is 0.50% of the aggregate amount of investment contributions plus any unfunded capital commitment that has been allocated to an existing investment, less the portion of such investment contributions invested in investments that have been sold (and returned to the investors) or completely written off.

INVESTMENT GUIDELINES FOR
CRESTLINE OPPORTUNTY FUND III, LLC (CRESTLINE)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The Investment Adviser shall at all times use its commercially reasonable efforts to comply with the following provisions relating to the Article 1 and 5 of the Illinois Pension Code: 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221.

  The Investment Adviser hereby acknowledges that it is a fiduciary with respect to the Fund and shall manage and advise the Fund, taking into consideration the interests of the Members as a whole (without being required to take into consideration the particular interests of any one Member), in accordance with the Operating Agreement and the Investment Management Agreement in accordance with the standard of care, the standard of liability and the conflicts provisions set forth therein.

- Investment Objective and Strategy: The Fund will seek to achieve superior risk-adjusted returns over a finite period of time utilizing a flexible and opportunistic investment mandate that will tactically invest capital in order to seek to take advantage of market dislocations and inefficiencies through investments in (1) sectors the Investment Manager believes have been abandoned by traditional banks, (2) economic and market dislocations and (3) special situations. Fund investments will generally take the form of (a) corporate solutions (debt or structured equity investments in small and medium sized businesses), (b) asset based (lending against or purchasing a single asset or a portfolio of assets with a cash flow stream attached), (c) stressed/special situations (typically a debt investment or asset purchase of an underperforming company or undervalued asset) and (d) hedges and derivatives related to the foregoing investments (each such investment, an “Investment,” and collectively with all of the Fund’s other investments, indirectly through the Master Fund, the “Investments”). The Investments will consist of both debt and equity investments and will be primarily focused in the United States and Europe.

- Target Performance: 15%also note the PPM risk factor below, which applies to this.

- Investment Limitations Include: Unless the Advisory Committee otherwise consents, after the Final Closing Date no more than 15% of the Aggregate Commitments will be invested in any single Investment at the Master Fund level; provided that there is no limitation with respect to the Master Fund’s potential Investments in other private investment funds managed by the Investment Manager or an affiliate, provided that, in such case, no performance compensation or management fees would be charged by such funds to the Master Fund (i.e., there would be only one level of performance compensation and management fees paid to the Investment Manager or an affiliate of the Investment Manager, which would be paid at the level of the Master Fund).

- Term: The Fund’s term is expect to expire four (4) years after the expiration of the Investment Period, provided that the Board may, to allow for the orderly liquidation of Investments, extend the term of the Fund for up to three (3) successive twelve (12) month periods, and thereafter the term may be extended with the consent of the Advisory Committee.

- Management Fee: During the Investment Period, the Management Fee will be 1.5% per annum of an investor's commitment. After the Investment Period, the Management Fee will be 1.0% per annum of the net asset value attributable (based on pro rata indirect capital contributions to the relevant Investments) to the investor.

- Preferred return: 8% per annum on the investors outstanding unreturned Capital Contributions.

- Carried Interest: Catch-up of 100% to the Carry Vehicle so that after the application of the catch-up tranche, the Carry Vehicle receives distributions equal to 20% of all amounts distributed under the Preferred Return

INVESTMENT GUIDELINES FOR
DORCHESTER CAPITAL SECONDARIES OFFSHORE IV, L.P. (DORCHESTER)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges that it is a fiduciary with respect to the Fund.

- Investment Objective and Strategy: The investment fund's core strategy is to achieve capital appreciation, primarily by acquiring secondary interests in-hedge funds and similar open-ended pooled investment vehicles. However, the investment fund may also invest in closed-end pooled investment vehicles and/or side car or special opportunity investments, including direct investments, related to any such pooled investment vehicles when the opportunities arise. In addition to investment fund's investments in other pooled vehicles (and related side car/special opportunity investments), the investment fund will also invest assets in a "liquid" investment sleeve comprised of debt securities, money market instruments and/or interests in one or more investment companies or funds that invest in comparable investments.

  The investment manager may protect the economic value of the investment fund's interests in Hedge Funds and other assets through currency hedging, security hedging or other hedging strategies.

- Term: The investment fund's initial term shall last from July 1, 2016 to July 1, 2021, provided that the investment manager may extend such term in its discretion for two additional one-year periods, and may thereafter extend such term for three additional one-year periods with the consent of a majority in interest of the investment fund's investors.

- Investment Limitations Include: The investment fund may not invest more than 20% of the investment fund's aggregate commitments in Hedge Funds managed or sponsored by any one fund manager, provided that the investment fund may invest more than 20% of the investment fund's aggregate commitments in a "fund of funds" arrangement (other than an arrangement where the assets of the "fund of funds" are invested in underlying funds managed by an affiliated Underlying Manager) so long as the investment fund's indirect ownership in any underlying Hedge Fund held by a fund of funds does not exceed 20% of the investment fund's aggregate commitments.

- Management Fee: (i) during the investment period, 1.0% per annum of each investor's commitment, and (ii) thereafter, 0.75% per annum of each investor's capital account balance as of the last day of the prior calendar quarter, except that after July 1, 2021, the management fee for any calendar quarter shall be 0.5% per annum of each investor's capital account balance as of the last day of the prior calendar quarter.

- Preferred Return: 5% per annum, compounded annually.

- **Carried Interest:** After a 5% annually compounded preferred return, there is a 100% catch-up by the investment manager until the investment manager receives a 20% carried interest, and thereafter there will be an 80-20 split of profits between the Fund and the investment manager, respectively. The investment manager will not be paid a carried interest until all contributions of the investor plus the 5% annually compounded preferred return have been distributed to the investor.

INVESTMENT GUIDELINES FOR
MONROE CAPITAL PRIVATE CREDIT FUND II, L.P. (MONROE)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- **CPABF Commitment**: $20,000,000

- **Total CPABF drawn down Commitment**: $6,245,291

- **Management Fee Paid**: $0

INVESTMENT GUIDELINES FOR
VOYA CREDIT OPPORTUNTIES FUND (VOYA)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

The following summary contains figures that are current as of March 31, 2017.

- Compliance with Laws: The investment manager will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager shall act in accordance with all applicable laws of the State of Illinois and the United States of America, and any applicable governmental or regulatory authority outside of the United States of America. The investment manager acknowledges and agrees that it shall be a fiduciary with respect to the Fund for so long as the assets of the investment fund constitute "plan assets" for purposes of ERISA or Section 4975 of the Code.

- Investment Objective and Strategy: The investment fund's investment objective is to seek a high level of total return through a combination of current income and capital appreciation over a market cycle. The investment fund will seek to achieve its investment objective by investing in a portfolio comprised primarily of Senior and subordinated secured floating rate loans of non-investment grade U.S. borrowers, unsecured U.S. fixed rate debt securities of non-investment grade U.S. and foreign borrowers and U.S. residential mortgage-backed securities. In order to achieve its objective, the investment fund may also invest in a broad range of other debt securities and income-producing investments, including, but not limited to: investment grade debt securities, U.S. Treasury securities or futures, commercial mortgage-backed securities, interest rate swaps and other derivatives. Derivatives may be used for duration management, risk management and to take fixed income market and credit exposures. The investment fund intends to employ financial leverage to seek to achieve its investment objectives and enhance returns.

- Investment Limitations Include:

  - The investment fund will only have exposure through over-the-counter contracts to institutions which have a minimum credit rating of A2/P2 or equivalent;
  - The investment fund may also invest up to 50% of its net asset value in any one unregulated collective investment scheme;
  - Where the investment fund intends to invest more than 50% of the investment fund's net asset value in another regulated collective investment scheme, the supplement will be amended in advance of such investment;
  - The investment fund is expected to limit borrowings to 50% of the total net asset value of the investment fund. The investment fund will limit its use of leverage from reverse repurchase agreements, loans or lines of credit from banks or other credit facilities such that these borrowings will not exceed the lesser 50% of the investment fund's Net Asset Value or 100% of the investment fund's allocation to senior loans and CMO securities.

- Management Fee Paid: $42,528

- Performance Fee Paid: 0

Section 11

TACTICAL AND ALPHA STRATEGIES

Fund of Hedge Funds

INVESTMENT GUIDELINES FOR
ENTRUSTPERMAL PABF FUND LLC (ENTRUSTPERMAL)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges it is a fiduciary with respect to the Fund and specifically agrees to perform all of its duties and obligations as a fiduciary at all times.

- Investment Objective and Strategy: The investment fund's purpose is to invest in hedge funds that focus on one or more of the following strategies: fixed income, event driven, global macro, and opportunistic.

- Target Performance: The investment fund's target return is 8% to 9%.

- Term: The investment fund will have perpetual existence until it is dissolved upon, among other things, the Fund's determination to dissolve the investment fund, which dissolution shall require 60 days' prior written notice to the investment manager.

- Investment Limitations Include:

  - The investment fund may not invest more than (i) 15% of the investment fund's net asset value ("NAV") in a single hedge fund at the time of investment and (ii) 20% of the investment fund's NAV in any such fund as of the end of any quarter.

  - The investment fund may not invest more than (i) 5% of the investment fund's NAV in a hedge fund pursuing an opportunistic strategy at the time of investment and (ii) 10% of the investment fund's NAV in any such fund as of the end of any quarter.

  - The investment fund will only invest in underlying managers who provide 100% liquidity within two years.

  - The investment manager shall allocate the investment fund's assets among 10 to 15 hedge funds (excluding any hedge funds for which full redemptions have been placed).

  - The investment fund shall not invest in any hedge funds:

    - Where the investment manager receives a management or performance fee from such hedge fund in respect of the investment fund's investment, unless such fee is waived or rebated;

    - Where the hedge fund's primary strategy is private equity investments, provided this restriction shall not apply to hedge funds pursuing opportunistic strategies; and

    - Where the hedge fund's primary strategy is to invest in unaffiliated third-party hedge funds.

- Management Fee: 0.75% per annum of the investment fund's NAV.

INVESTMENT GUIDELINES FOR
PLUSCIOS FUND LLC (PLUSCIOS)
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all provisions relating to Articles 1 and 5 of the Illinois Pension Code, specifically Sections 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

  The investment manager acknowledges it is a fiduciary with respect to the Fund and agrees to perform all of its duties and obligations as a fiduciary at all times.

- Investment Objective and Strategy: The investment fund's objective is to provide investors with a resilient, high performing portfolio of hedge funds that will deliver attractive absolute returns, preserve capital, experience lower volatility and create correlation benefits when combined with or compared to a portfolio of general equity and debt investments. The investment fund invests in a "master fund" (the "Master Fund"), which Master Fund is a multi-strategy fund that allocates a substantial majority of its assets to one or more sub-managers that pursue various alternative investment strategies. The Master Fund ordinarily allocates its assets to the sub-managers by investing in pooled investment vehicles managed by the sub-managers. However, the Master Fund may also allocate its assets to one or more sub-managers by opening managed accounts managed by such sub-managers.

  The Fund has invested in the investment fund's Class I Interests. Such interests invest in the investment fund's multi-strategy portfolio, which portfolio invests in one or more of the segregated portfolios of the Master Fund as determined by the investment manager.

- Term: The investment fund will have perpetual existence until it is dissolved upon, among other things, the investment manager's determination to dissolve the investment fund.

- Investment Limitations Include: The Master Fund will not invest more than 10% of its assets, measured at the time of investment, in direct investments.

- Management Fee: 0.071% per month of the net asset value ("NAV") of the Class I Interests (approximately 0.75% per annum of such NAV).

- Incentive Allocation: As of the end of each calendar year and as of any date on which the Fund receives a withdrawal or distribution from its capital account (a "Calculation Date"), the investment manager shall receive an amount (the "Incentive Allocation") equal to 15% of any positive difference between (i) the NAV of the Fund's capital account as of such Calculation Date and (ii) the greater of (a) the NAV of the Fund's capital account immediately after the most recently assessed Incentive Allocation (the "High Water Mark") or (b) the sum of (1) the NAV of the Fund's capital account as of the first day after the most recent Calculation Date the ("Adjusted NAV") and (2) the product of (I) the Adjusted NAV of the Fund's capital account for such period, (II) a rate agreed to from time to time by the investment manager and each investor holding a Class I Interest, and (III) a fraction equal to the number of months from and including the beginning of the year in which such Calculation Date occurs to and including such Calculation Date in the year divided by 12.

A similar allocation will be made to the investment manager in the event of a withdrawal or distribution from the Fund's capital account before the end of a calendar year, in an amount equal to the product of (i) the amount described above and (ii) a fraction, the numerator of which is the amount of such withdrawal and the denominator of which is the balance of the Fund's capital account immediately before such withdrawal. In such case, the High Water Mark for the Fund's capital account will be appropriately adjusted downward to reflect such withdrawal.

INVESTMENT GUIDELINES FOR
GMO Global Asset Allocation Fund
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted July 17th, 2012

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1b

Investment objective

Total return greater than that of its benchmark, the GMO Global Asset Allocation Index.*

**The GMO Global Asset Allocation Index is an internally maintained index computed by the Manager, consisting of 65% MSCI ACWI (All Country World Index) Index and 35% Barclays Capital U.S. Aggregate Index.*

Performance Objective and Benchmark

For performance measurement purposes, the Board will be utilizing the following benchmark:

65% MSCI ACWI (All Country World Index) Index and 35% Barclays Capital U.S. Aggregate Index

Principal investment strategies

The Fund is a fund of funds and invests primarily in shares of other GMO Funds, which may include the International Equity Funds, the U.S. Equity Funds, the Fixed Income Funds, Alpha Only Fund, Alternative Asset Opportunity Fund, Debt Opportunities Fund, High Quality Short-Duration Bond Fund, Special Situations Fund, World Opportunity Overlay Fund and U.S. Flexible Equities Fund (collectively, the “underlying Funds”). In addition, the Fund may hold securities (particularly asset-backed securities) directly or through one or more subsidiaries or other entities. The Fund may be exposed to non-U.S. and U.S. equity investments (which may include emerging country equities, both growth and value style equities and equities of any market capitalization), U.S. and non U.S. fixed income securities (including asset-backed securities and other fixed income securities of any credit quality and having any maturity or duration), the investment returns of commodities and, from time to time, other alternative asset classes. The Manager uses multi-year forecasts of relative value and risk among asset classes (e.g., non U.S. equity, U.S. equity, emerging country equity, emerging country debt, U.S. fixed income, non U.S. fixed income and commodities) to select the underlying Funds in which the Fund invests and to decide how much to invest in each. An important component of those forecasts is the expectation that valuation reversion ultimately drives market returns. The Manager changes the Fund’s holdings of underlying Funds in response to changes in its investment outlook and market valuations and may use redemption/purchase activity to rebalance the Fund’s investments. Under normal circumstances, the Manager intends to invest not more than 85% of the Fund’s assets in the U.S. Equity Funds and International Equity Funds. For cash management purposes, the Fund may invest in U.S. Treasury Fund and unaffiliated money market funds.

Principal risks of investing in the Fund

The value of the Fund’s shares changes with the value of the Fund’s investments. Many factors can affect this value, and you may lose money by investing in the Fund. References to investments include those held directly by the Fund and indirectly through the Fund’s investments in the underlying Funds. Some of the underlying Funds are non-diversified investment companies under the Investment Company Act of 1940, as 132 amended, and therefore a decline in the market value of a particular security held by those Funds may affect their performance more than if they were diversified. The principal risks of investing in the Fund are summarized below. For a more complete discussion of these risks including those risks to which the Fund is exposed as a result of its investment in the underlying Funds, see "Description of Principal Risks" in the GMO Trust Prospectus.

- *Market Risk – Equity Securities* – The market value of equity investments may decline due to factors affecting the issuing companies, their industries, or the economy and equity markets generally. If an underlying Fund purchases equity investments at a discount from their value as determined by the Manager, the Fund runs the risk that the market prices of these investments will not appreciate to or decline from that value for a variety of reasons, one of which may be the Manager's overestimation of the value of those investments. An underlying Fund also may purchase equity investments that typically trade at higher multiples of current earnings than other securities, and the market values of these investments often are more sensitive to changes in future earnings expectations than those other securities. Declines in stock market prices generally are likely to reduce the net asset value of the Fund's shares.

- *Non U.S. Investment Risk* – The market prices of many non U.S. securities fluctuate more than those of U.S. securities. Many non U.S. markets are less stable, smaller, less liquid and less regulated than U.S. markets, and the cost of trading in those markets often is higher than in U.S. markets. Non U.S. portfolio transactions generally involve higher commission rates, transfer taxes and custodial costs than similar transactions in the U.S. In addition, the Fund may be subject to non U.S. taxes including potentially on a retroactive basis on (i) capital gains it realizes or dividends or interest it receives on non-U.S. securities, (ii) transactions in those securities and (iii) the repatriation of proceeds generated from the sale of those securities.

  Also, many non U.S. markets require a license for the Fund to invest directly in those markets, and the Fund is subject to the risk that it could not invest if its license were terminated or suspended. In some non U.S. markets, prevailing custody and trade settlement practices (e.g., the requirement to pay for securities prior to receipt) expose the Fund to credit and other risks with respect to participating brokers, custodians, clearing banks or other clearing agents, escrow agents and issuers. Further, adverse changes in investment regulations, capital requirements or exchange controls could adversely affect the value of the Fund's investments. These and other risks (e.g., nationalization, expropriation or other confiscation of assets of non U.S. issuers) tend to be greater for investments in companies tied economically to emerging countries, the economies of which tend to be more volatile than the economies of developed countries.

- *Market Risk – Fixed Income Securities* – The market price of a fixed income investment can decline due to a number of market-related factors including periods of rising (or in some limited cases, declining) interest rates and widening of credit spreads, or decreased liquidity that reflects the market's uncertainty about the value of a fixed income investment (or class of fixed income investments).

- *Market Risk – Asset-Backed Securities* – Asset-backed securities are subject to severe credit downgrades, illiquidity, defaults and declines in market value. The market price of fixed income investments with complex structures, such as asset-backed securities, can decline due to a number of factors, including market uncertainty about their credit quality and the reliability of their payment streams. Payment streams associated with asset-backed securities held by the Fund depend on many factors (e.g., the cash flow generated by the assets backing the securities, the deal structure, the credit worthiness of any credit-support provider, and the reliability of various other service providers with access to the payment stream) and a problem in any one of these areas can lead to a decrease in the payment stream expected by the Fund at the time it purchased the asset-backed security.

- *Liquidity Risk* – Low trading volume, lack of a market maker, large size of position or legal restrictions may limit or prevent the Fund or an underlying Fund from selling particular securities or unwinding derivative positions at desirable prices.

- *Derivatives Risk* – The use of derivatives involves the risk that their value may not move as expected relative to the value of the relevant underlying assets, rates or indices. Derivatives also present other Fund risks, including market risk, liquidity risk, currency risk and counterparty risk.

- *Fund of Funds Risk* – The Fund is indirectly exposed to all of the risks of an investment in the underlying Funds, including the risk that the underlying Funds in which it invests do not perform as expected. Because the Fund bears the fees and expenses of the underlying Funds in which it invests, a reallocation of the Fund's investments to underlying Funds with higher fees or expenses will increase the Fund's total expenses. The fees and expenses associated with an investment in the Fund are less predictable than those associated with an investment in funds that charge a fixed management fee.

- *Management and Operational Risk* –The Fund runs the risk that the Manager's investment techniques will fail to produce the desired results. The Fund's portfolio managers may use quantitative analyses and models and any imperfections or limitations in such analyses and models could affect the ability of the portfolio managers to implement strategies. By necessity, these analyses and models make simplifying assumptions that limit their efficacy. Models that appear to explain prior market data can fail to predict future market events. Further, the data used in models may be inaccurate and/or it may not include the most recent information about a company or a security. The Fund also runs the risk that the Manager's fundamental assessment of an investment may be wrong or that deficiencies in the Manager's or another service provider's internal systems or controls will cause losses for the Fund or impair Fund operations.

- *Smaller Company Risk* – Smaller companies may have limited product lines, markets or financial resources, may lack the competitive strength of larger companies, or may lack managers with experience or depend on a few key employees. The securities of small- and midcap companies often are less widely held and trade less frequently and in lesser quantities, and their market prices often fluctuate more, than the securities of companies with larger market capitalizations.

- *Commodities Risk* – Commodities prices can be extremely volatile and exposure to commodities can cause the price of the Fund's shares to decline and fluctuate more than the value of shares of a fund with a broader range of investments.

- *Currency Risk* – Fluctuations in exchange rates can adversely affect the market value of non U.S. currency holdings and investments denominated in non U.S. currencies, or that the U.S. dollar will decline in value relative to that currency.

- *Leveraging Risk* – The use of reverse repurchase agreements and other derivatives and securities lending creates leverage. Leverage increases the magnitude of the Fund's losses when the value of its investments (including derivates) declines.

- *Credit Risk* – The Fund runs the risk that the issuer or guarantor of a fixed income security will be unable or unwilling to satisfy its obligation to pay principal or interest payments or to otherwise honor its obligations in a timely manner. The market price of a fixed income investment will normally decline as a result of the issuer's failure to meet its payment obligations. Below investment grade securities have speculative characteristics, and changes in economic conditions or other circumstances are more likely to impair the capacity of issuers to make principal and interest payments than is the case with issuers of investment grade securities.

- *Counterparty Risk* – The Fund runs the risk that the counterparty to an over-the-counter (OTC) derivatives contract or a borrower of the Fund's securities will be unable or unwilling to make timely settlement payments or otherwise honor its obligations.

- *Real Estate Risk* – To the extent an underlying Fund concentrates its assets in real estate-related investments, the value of its portfolio is subject to factors affecting the real estate industry and may fluctuate more than the value of a portfolio that consists of securities of companies in a broader range of industries.

- *Short Sales Risk* – The Fund runs the risk that an underlying Fund's loss on a short sale of securities that the underlying Fund does not own is unlimited.

- *Focused Investment Risk* – Focusing investments in countries, regions, sectors or companies or in industries with high positive correlations to one another creates more risk than if the Fund's investments were less correlated.

- *Market Disruption and Geopolitical Risk* – Geopolitical and other events may disrupt securities markets and adversely affect global economies and markets. Those events as well as other changes in non U.S. and U.S. economic and political conditions could adversely affect the value of the Fund's investments.

- *Large Shareholder Risk* – To the extent that a large number of shares of the Fund is held by a single shareholder (e.g., an institutional investor), the Fund is subject to the risk that a redemption by that shareholder of all or a large portion of its Fund shares will disrupt the Fund's operations.

INVESTMENT GUIDELINES FOR
PIMCO All Asset Collective Trust (SEI Trust Company)
FOR THE POLICEMEN'S ANNUITY & BENEFIT FUND OF CHICAGO

Adopted September 2012

The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

Investment Objective

The objective of the PIMCO All Asset Collective Trust (the "Fund") is to seek maximum real return, investing under normal circumstances substantially all of its assets in Institutional Class shares of the PIMCO All Asset Fund (the "Underlying Fund"), consistent with preservation of real capital and prudent investment management. The Fund's return objective is to outperform the Barclays Capital U.S. 1-10 Year Index and achieve a return equal to the annual change in the Consumer Price Index plus 5% annualized ("CPI+5%"), as measured over a full business cycle. There is no assurance that these objectives will be achieved.

Performance Objective and Benchmark

For performance measurement purposes, the Board will be utilizing the following benchmark:

30% Barclays US TIPS 1-10 YR
10% S&P 500
40% Barclays Aggregate
10% Barclays High Yield
10% JP Morgan EMBI+TR

SEI's stated benchmarks for the Fund are the Barclays Capital U.S. TIPS 1-10 Year Index and CPI+5% (the "Benchmarks").

Investment Process

The Fund seeks to meet its performance objective relative to its Benchmarks by investing in the Underlying Fund, which is actively managed with respect to the same underlying benchmarks. In managing the Underlying Fund, PIMCO employs a tactical asset allocation specialist as a sub-advisor to complement PIMCO's "top-down" and "bottom-up strategies". The asset allocation decisions with the Underlying Fund are managed by Research Affiliates LLC, which is a leading asset allocation research and advisory firm. Research Affiliates was founded in 2002 by Robert Arnott. The asset allocation decisions are implemented by varying the mix of actively managed strategy specific PIMCO mutual funds. Each of these mutual funds seeks to outperform their respective benchmarks by incorporating strategies that are driven by PIMCO's top-down and bottom-up investment process.

The top-down investment process starts with an annual secular forum at which PIMCO investment professionals develop a three-to-five year outlook for the global economy and interest rates. This secular or long-term outlook is combined with a cyclical or short-term outlook to determine the basic macroeconomic and relative value portfolio parameters, including duration, yield-curve positioning (allocation across various maturities), sector weightings and credit quality.

Bottom-up strategies drive PIMCO's security selection process and facilitate the implementation of top-down strategies, as well as the identification and analysis of undervalued securities and sector-specific trade ideas. Here, PIMCO employs advanced proprietary analytics and expertise in all major fixed income sectors and geographic regions.

Permitted Investments

- PIMCO All Asset Fund: The Fund may invest solely in Institutional Class units of the PIMCO All Asset Fund, an investment company registered under the Investment Company Act of 1940.

- Cash Equivalents: Investment grade securities with a duration less than or equal to 1 year. These assets include, but are not limited to, the following: Treasury bills, U.S. government and agency securities, commercial paper (including 4(2) CP programs), time deposits, bankers acceptances, certificates of deposits, repurchase agreements, bank STIF accounts and U.S. money market Funds, subject to the restrictions set forth in the Investment Guidelines. The above-mentioned security types may be either U.S. or Eurodollar issues.

In the event that PIMCO wishes to make changes to or additions to or deletions from the Permitted Investments set forth in the Investment Guidelines, PIMCO shall submit to SEI a written list of such changes or securities/transaction types that PIMCO proposes to designate as Permitted Investments, and the securities/transaction types included on such list shall, except to the extent rejected by the Trustee within seven (7) business days or such shorter period that is agreed to from time to time, of its receipt of such revised list, automatically become Permitted Investments. Notwithstanding the foregoing, the Trustee may, at any time, but with reasonable prior notice, prohibit PIMCO from purchasing, or maintaining an investment in, any security, regardless of whether it is a Permitted Investment.

Prohibited Investments

Except with the prior written approval of SEI, PIMCO will not:

- Invest assets of the Fund directly in any securities or investments other than Permitted Investments, subject to the Liquidity provision described below.

- The Fund's investment limitations apply at the time of acquisition of an investment. If a percentage limitation is adhered to at the time of investment, a later increase or decrease in percentage resulting from market fluctuations or other changes in the Fund's total assets will not result in a violation of the limitation and will not require PIMCO to dispose of such investment.

The Fund will not invest in securities issued by the Trustee or its affiliates or securities issued by PIMCO or its affiliates, except as disclosed to investors and in accordance with applicable law.

Diversification, Liquidity and Risk Control

Assets of the Fund should remain fully invested in Institutional Class units of the PIMCO All Asset Fund except for Cash and Cash Equivalents as required to adequately manage contributions, transaction settlements, withdrawals and adverse market conditions.

Section 12

INFRASTRUCTURE

INVESTMENT GUIDELINES FOR
CARLYLE INFRASTRUCTURE PARTNERS, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in Carlyle Infrastructure Partners, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to infrastructure assets in the U.S. and Canada over a five year period from final close, with two possible one-year extensions.
- The Fund will focus on investments relating to transportation – toll roads, rail, ports and airports – or water, which encompasses water purification and distribution and wastewater treatment. It may also invest in “convenience” or “necessity” assets such as hospitals, schools or prisons. Unlike other infrastructure funds, CIP will not invest in energy assets such as power distribution lines.
- The Fund will allocate no more than 20% of the fund in a single investment.
- The Fund will allocate no more than 30% in assets located outside the U.S. and Canada.
- The Fund will have a term of 12 years with two one-year extensions.
- The management fee will be 1.5% of committed capital during the commitment period and 1.0% thereafter as well as a 20% carried interest over an 8% preferred return.

Performance Benchmark -- The manager’s performance will be compared with CPI + 500 basis points.

INVESTMENT GUIDELINES FOR
GLOBAL INFRASTRUCTURE PARTNERS, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted April 22, 2010

The Fund is invested in Global Infrastructure Partners, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund will make commitments to infrastructure assets globally over a six year period from final close.
- The Fund will focus on investments in transportation (40%), energy (40%) and water (20%) infrastructure assets in OECD and non-OECD countries.
- The Fund will seek to invest in 15 to 25 control-orientated positions.
- The Fund will allocate no more than 20% of the fund in a single investment.
- The Fund will allocate no more than 50% in non-OECD countries and no more than 20% in any one non-OECD country.
- The Fund will have a term of 10 years with two one-year extensions.
- The management fee will be 2.0% of committed capital during the commitment period and 2.0% thereafter as well as a 20% carried interest over an 8% preferred return.

Performance Benchmark -- The manager's performance will be compared with CPI + 500 basis points.

INVESTMENT GUIDELINES FOR
GLOBAL INFRASTRUCTURE PARTNERS III A/B, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Adopted June 30, 2017

- Compliance with Laws: The investment manager will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1.

- Investment Objective and Strategy: The investment fund will make control-oriented equity and equity-related investments and, on a selected basis, investments in debt securities, in each case in infrastructure and infrastructure-related assets primarily in OECD countries over a five year period from final close.

  The investment fund will focus on investments in energy, transportation and water / waste.

- Target Performance: the investment fund aims to deliver a target portfolio gross IRR of 15% to 20% per annum, including an annual cash yield building up over 2-3 years.

- Investment Limitations Include:

  - The investment fund will allocate no more than 20% of the investment fund in a single investment (or 30% including credit support and bridge financings).

  - The investment fund will allocate no more than 10% in non-OECD countries.

- Term: The investment fund will have a term of 10 years with four one-year extensions.

- Management Fee: (i), during the commitment period, 1.75% of committed capital, (ii) from the end of the commitment period 1.75% of invested capital or the aggregate fair market value of outstanding investments, as applicable.

- Carried Interest/Preferred Return: 20% carried interest after an 8% preferred return.

INVESTMENT GUIDELINES FOR
ULLICO INFRASTRUCTURE TAXABLE FUND, L.P.
FOR THE POLICEMEN'S ANNUITY AND BENEFIT FUND OF CHICAGO

Ullico Infrastructure Taxable Fund, L.P.

- The Investment Adviser represents and warrants that it shall at all times act in accordance with the Illinois Pension Code (40 ILCS 5), including but not limited to the applicable provision set forth in sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 thereof.

- The Fund is open ended, and a LP will be permitted to redeem all or a portion of its units after a four-year lock-up period starting from the later of the LP's date of admission or the due date of the Partnership's initial capital call.

- The Fund will make investments in physical structures and facilities that provide essential services to communities, governments and businesses, including utilities, transportation, social infrastructure and specialist sectors and logistics.

- The Fund will not acquire any portfolio security issued by a portfolio company operating principally outside of the United States or Canada without LP advisory committee consent.

- The Fund will continue until dissolved and liquidated by the GP in its sole discretion, subject to termination for any reason after the four-year period after initial closing upon the vote of 2/3-in-Interest of the LPs.

- As of April 1, 2017, the management fee is (i) 0.4375% per fiscal quarter (1.75% per annum) of the first $50 million of aggregate value of a LP's units, plus (ii) 0.4125% per fiscal quarter (1.65% per annum) of aggregate value of each a LP's units in excess of $50 million up to $75 million, plus (iii) 0.375% per quarter (1.5% per annum) of aggregate value of a LP's units in excess of $75 million, each of (i), (ii) and (iii) as of the last business day of each fiscal quarter.

Section 13

REAL ESTATE

ALEX BROWN REALTY CHESAPEAKE FUND III

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund's investment strategy will focus on mid-sized real estate assets ($10-20 million), which represent the broadest sector of the U.S. commercial property market. The assets will be acquired through joint ventures with local and regional developers and operators.

- The Fund's expected return is 11-14% net.

- It is expected that the properties in the Fund's portfolio will have a loan-to-value ratio of not more than 65% in the aggregate and not more than 80% per property. The Fund does not intend to acquire commercial mortgage loans. The Fund may invest in residential development parcels these investments typically take the form of preferred equity or mezzanine loans.

- The management fee is 1.5% of committed capital during commitment period; thereafter 1.5% of unreturned capital. The preferred return is 9%. The carried interest is 20% of profit distributions, subordinated to the preferred return (cash flow 50%/50% after preferred return until the carry is satisfied; 80% to the LP's thereafter).

ANGELO GORDON CORE-PLUS REAL ESTATE FUND II

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-13 to 1-113.10, and 5-187 to 187.

- The Fund will acquire equity interests in high quality office, retail, multi-family, and industrial real estate predominantly located in the largest U.S. markets, focusing on real estate assets where Angelo Gordon can utilize its value-added expertise to enhance returns.

- The Fund will focus the majority, if not all, of its investment in the US. In addition, the Fund will focus on the 20 largest U.S. markets.

- The Fund’s projected return is 12% net.

- There are no investment guidelines available for this manager.

- The management fee is 0.5% of committed capital until invested, then 0.5% of total asset cost (not to exceed 1.25% of equity). There is an incentive fee of 15% to the GP, subject to an 8% cumulative preferred return to the limited partners and a 50% catch-up.

APOLLO EUROPE III

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will be a continuation of the successful investment strategy employed by its two predecessor funds and focus on investing in medium sized investments throughout Europe. Apollo will continue to originate transactions through its longstanding joint venture partner network. Apollo anticipates investing two thirds of the Fund in income producing assets and one third in development. By geography, Apollo anticipates investing 80% in Western Europe and 20% in Central and Eastern Europe. By product type, Apollo anticipates 40-50% in retail with the balance comprising office, residential, and warehousing.

- The Fund's targeted net IRR is 16% and greater.

- Fund investments must be in European real estate. No more than 20% of the Fund may be invested in speculative development. Not more than 10% of the Fund will be invested in raw land. The Fund will be subject to restrictions relating to hostile acquisitions.

- The term of the Fund will be eight years from the final closing. The term may be extended for up to a maximum of two consecutive one-year periods

- The management fee is 1.5% on committed capital during the commitment period and 1.5% on unreturned capital thereafter. There is a 9% preferred return.

BLACKROCK ASIA FUND III (AF III)

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will focus on investments in Japan (31%), South Korea (10%), Malaysia (5%), Singapore (12%), China (25%), and India (5%). Taiwan, Hong Kong, Australia, and Thailand will comprise approximately 12% with a small allocation possible to the emerging markets of Vietnam, Macau, Philippines and Indonesia. AF III utilizes a ''top-down'' and ''bottom-up'' approach to analyze markets and to identify trends that may give rise to investment opportunities. The ''top-down'' approach focuses on regional macroeconomic trends to identify capital misalignments, structural changes in economies and economic trends. AF III then combines its macro-economic research with local market data sourced by AF III strong local network and its alliances. The ''bottom-up'' approach allows AF III to identify local trends and opportunities and to apply its macro-economic analysis on a local level.

- The Fund's projected gross IRR is 20-25% and net IRR is 17-20%.

- The Fund may not invest more than 25% in any single asset or more than 30% in any portfolio deal.

- The Fund's investment period will be 3-years from final close. The total term will be 9-years from final close. Two (2) one-year extensions with advisory committee consent. Additional two (2) one-year extensions are possible with the consent of the LPs representing 66.67% of the capital commitments in MGP Asia.

- The management fee is 1.0% of capital commitments plus 1.0% of adjusted net assets during the investment period. 2% on adjusted net assets after the investment period. Net asset value less accumulated unrealized gains plus accumulated unrealized losses equals adjusted net assets.

BROOKFIELD REAL ESTATE FUND V, L.P. (BREF V)

- Compliance with Laws: The investment manager agrees to act as a fiduciary to the Investor in connection with its investment in the investment fund to the extent and for so long as required under applicable Illinois law. The investment manager will comply with the procurement and contracting requirements of Section 50-5 of the Illinois Procurement Code (30 ILCS 500/50-5) and Article 33 of the Criminal Code of 1961 (720 ILCS 5/33). The investment manager will comply with the information requirements of the Illinois Pension Code, including Sections 1-113.14(c) and 1.113.21 thereof. The investment manager will comply with the requirement of the Illinois State Officials and Employees Ethics Act (5 ILCS 430).

- Investment Objective and Strategy: The investment fund's investment objective is to generate strong, risk-adjusted returns comprised predominantly of current income by investing in real estate finance related transactions in a risk position that are (i) senior to traditional equity and (ii) subordinate to traditional first mortgages. Its lending activities will be focused primarily on high-quality properties in strategic locations.

- Target Performance: The investment fund will target a gross IRR of 12-13% (net 9-10%).

- Investment Limitations Include: Overall leverage of the investment fund, excluding borrowings secured by the investors' commitments may not without investor advisory committee consent exceed 50% of commitments; provided, that overall recourse leverage, other than borrowings secured by investor the commitments, may not exceed 35% of commitments.

  Without the consent of the investor advisory committee, the investment fund will not invest (i) over 20% of commitments in any one investment, except it may invest 30% of commitments in an investment for up to one year, (ii) in investments outside of U.S., except it may invest 20% of commitments in investments located in North America (other than the U.S.), Australia and Europe (including the U.K.), (iii) over 20% of commitments in unsecured debt and loans backed by publicly traded real estate company stock, or (iv) in a blind pool investment fund that has a management fee or carried interest.

- Term: The investment fund's term is ten years from the Initial Closing Date with two one-year extension options.

- Management Fee: The management fee is 1.5% per annum of the investment fund's invested capital.

- Preferred return: The preferred return is 6% per annum.

- Carried Interest: The carried interest is 15%.

CBRE CLARION SECURITIES GLOBAL REAL ESTATE SECURITIES STRATEGY

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund invests in real estate equity securities of companies across North America, Europe and the Asia-Pacific regions. The Fund generally will contain between 80 to 100 securities with an emphasis on current income via the dividend.
- The Fund seeks to outperform the FTSE EPRA/NAREIT Developed (Global) Index over time on average per annum by 200 – 400 basis points gross with a targeted tracking error of approximately 200 – 400 basis points.
- The Fund may invest only in real estate securities. Eligible security types include common stock, preferred stock, convertible preferred stock, convertible debentures, warrants and rights.
- The Fund shall not own more than 10% of the value of its gross assets, at time of purchase, in securities on one issuer.
- The management fee is equal to 65 basis points of the average monthly net asset value of the account.
- Performance Benchmark: The manager’s performance will be compared to the FTSE EPRA/NAREIT Developed (Global) Index.

LONE STAR REAL ESTATE FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will invest in a broad range of real estate and real estate related investments where the intention is to take title or control and actively manage, reposition, improve or otherwise add value to the assets, including direct equity investments, real estate debt investments, and real estate operating company investments.

- The Fund's projected return is 20%+ net (25% gross of fees).

- No more than 25% in any individual asset or portfolio. No more than 60% in Canada and the U.S. (of which no more than 50% in the U.S.). No more than 60% in Europe (of which no more than 20% outside of Western Europe, the Czech Republic, Poland and Hungary). No more than 60% in Japan. No more than 20% in South Korea. No more than 30% in other areas of the world, including Mexico and the Caribbean.

- The Fund's term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee during investment period is 1.5% of committed unreturned capital, after investment period: 1.0% of average outstanding capital contributions. There is an 8% preferred return with a 50/50 catch-up to 20%, 80/20 to 25% and 70/30 thereafter.

LONE STAR FUND VI

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will target investments in a broad range of financial and other investment assets including, but not limited to, investments in secured and corporate unsecured debt, financially-oriented operating companies, and operating companies with significant real estate assets, through the acquisition of portfolios of assets and entity-level debt and/or equity. Real estate investments will be made in a separate investment vehicle.

- The Fund's projected return is 20%+ net (25% gross of fees).

- No more than 25% in any individual asset or portfolio. No more than 60% in Canada and the U.S. (of which no more than 50% in the U.S.). No more than 60% in Europe (of which no more than 20% outside of Western Europe, the Czech Republic, Poland and Hungary). No more than 60% in Japan. No more than 20% in South Korea. No more than 30% in other areas of the world, including Mexico and the Caribbean.

- The Fund's term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee during investment period is 1.25% of committed unreturned capital, after investment period: 0.75% of average outstanding capital contributions. In addition there is a 50-50 catch-up after an 8% preferred return until a 20% total return on investment; 20% until a 25% total return and 30% thereafter.

LONE STAR FUND X (U.S.), L.P. (LONE STAR X)

- **Investment Objective and Strategy:** The investment fund will target investments in a broad range of financial and other opportunistic investment assets (other than commercial real estate investments) including, but not limited to, investments consisting predominately of any of the following: (i) single-family residential real estate, (ii) non-performing and sub-performing single-family residential real estate-secured debt, corporate debt, and consumer debt, (iii) control investments in financially oriented or other operating companies, and (iv) securitized products relating to single-family residential real estate, corporate debt or consumer debt, such as RMBS, CDOs related to such loans or securities, credit default swaps, repurchase agreements, and other asset-backed securities (the underlying or referenced assets of which generally consist of assets described in this paragraph), as well as entering into other derivative instruments related to any of the foregoing investment types.

- **Term:** The investment fund's term is for eight years from the final closing with the option to extend for up to two one-year periods at the investment manager's discretion, unless two-thirds in interest of the investors disapprove of any such extension.

- **Management Fee:** (i) during investment period is 1.45% of investable capital and (ii) after investment period is 0.60% of the excess of average outstanding capital contributions of the Fund over all capital contributions by the Fund representing unrecovered write-downs.

MESIROW FINANCIAL REAL ESTATE VALUE FUND, L.P.

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1
- The Fund (a closed end fund) Strategy is to invest in domestic value-added investments in the multifamily sector.
- Geographic focus is solely in the United States.
- The Fund's targeted net IRR is 12% (or 1.9x TVPI Multiple).
- The Fund will terminate on December 31, following the eighth anniversary of the final closing date. The term may be extended for one-year at the General Partners sole discretion.
- The management fee is 1.5% on committed capital during the investment period and 1.5% on invested equity thereafter.
- Distributions are as follows: 9% preferred return (compounded annually) to the Limited Partners pro rata based upon their capital contributions; 50% Limited Partners / 50% General Partner as a catch-up until the General Partner receives 20% of all Fund distributions after return of capital to the Limited Partners; and thereafter, 80% Limited Partners / 20% General Partner.
- Key Person for the Fund is Alasdair Cripps, Senior Managing Director.
- Target leverage is 60%, with a maximum expected leverage of 65%.

MORGAN STANLEY PRIME FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- Prime Property Fund's strategy is to maintain a high concentration of diversified investments in prime U.S. real estate that offers stable, highly predictable cash flow returns. The focus will remain on high quality office buildings, high demand multifamily product, warehouse distribution, storage facilities, and top tier super regional malls and power centers in targeted primary markets.

- The Fund favors investing in major metropolitan markets and secondary markets expected to benefit from strong population and employment growth.

- The Fund's expected return is 8-12% gross.

- There are no investment guidelines available for this manager.

- The management fee is comprised of a "Base Fee" and an "Incentive Fee." The Base Fee equals 90 basis points per annum of the NAV (as of the beginning of each calendar quarter) payable quarterly in arrears. The Incentive Fee payable at the end of each calendar year shall not exceed 45 basis points per annum of the "Average Monthly NAV" for the calendar year.

Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.

MSREF VI INTERNATIONAL

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund will target investments in non-U.S. real estate portfolios, corporate spin-offs and liquidations, real estate operating companies, direct investments and developments. The Fund may also acquire a limited number of Non-Performing Loan ("NPL") portfolios. The Fund's projected allocation is as follows: Japan 40%, Western Europe (Italy, Germany, U.K., Spain and France) 30%, Other Developed Asian Markets (Hong Kong, South Korea, Taiwan) 5%, China 15%, and Other Emerging Markets (India, Turkey, Mexico, Russia and Brazil) 10%.

- The Fund's expected gross return is 20%+ (15% net).

- There are no investment guidelines available for this manager.
- The Fund's term is for eight years from the final closing with the option to extend for up to two one-year periods.

- The management fee is 1.0% of capital invested in all investments. There is a 1.0% acquisition fee. 0.75% of the acquisition fee is to be rebated making the effective fee 0.25%. In addition there is a 20% promote after return of capital and preferred return of 9%, 60/40 catch-up until GP receives 20% of profits.

NEWPORT CAPITAL

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund's strategy is to invest in real estate transactions in the greater Chicago metropolitan area. The Fund's objectives and purposes are to generate attractive risk-adjusted rates of return through investment in urban real estate in Chicago and, perhaps, in other select urban markets. The Fund will seek to create value through the acquisition, development, redevelopment and repositioning of real estate in its target markets.

- The Fund will not invest more than 30% of the aggregate capital commitments in real-estate related "mezzanine securities" or invest or commit, directly or indirectly, in or to any one project in excess of 15% of the aggregate capital commitments or $5 million, whichever is higher.

- The management fee is 1.5% on committed capital during the commitment period in addition to the management fee a development fee equal to 3% of the total cost (including capitalized interest expense, the cost of the land on which a project is located and all "soft" costs of the project).

QUADRANT FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The strategy is constructed and managed to seek an attractive income and total return, a predicable income return, diversification and liquidity. This diversified portfolio will be composed of various real estate assets that fit into four basic groups: real estate equity securities, real estate fixed income securities, real estate private equity and real estate private debt.

- No real estate asset exposure will constitute more than 5% of overall strategy assets. Minimum of 60% in liquid sectors (REITs, CMBS). Maximum of 40% in less liquid, direct sectors (loans, mezzanine debt, equity).

- The Fund's expected target return includes a current return of 8%+ net of fees and a total return of 10%+ net of fees.

- The management fee is an annual rate of 1% of the average monthly net asset value (NAV) of the Fund.

- Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.

SOUND MARK HORIZONS FUND

- Compliance with Laws: The Advisor shall use commercially reasonable efforts to not taken any actions that would directly cause the investor to be in violation of sections 1-110.6, 1-110.15, 1-125, 1-135, 1-145, and 5-221 of the Illinois Pension Code.

- Investment Objective and Strategy: The investment fund is focused on investing assets in low to medium risk commercial real estate, debt and other investments that the Advisor believes can provide attractive returns on a current and fully realized basis.

- Hold Period: For debt investing, the investment fund expects generally to maintain a hold-to-maturity strategy, except in cases where the sale or disposition of an asset will result in superior performance returns. For equity ownership positions, the investments will generally be modeled at closing to assume hold periods of 3-5 years, and are expected to be realized after Advisor concludes it has maximized the asset's potential price / return.

- Permitted Investments: The investment fund may originate, acquire or otherwise invest in first mortgages, b notes, mezzanine loans, preferred equity, equity participations, securities, or equity relating to any of the following property types: multifamily/residential, mobile home park, retail (anchored), retail (quasi-anchored), retail (unanchored), hospitality, office, industrial, self-storage and mixed use.

- Diversification, Liquidity and Risk Control: Advisor intends to continue to construct on behalf of the investment fund a diversified portfolio of primarily US commercial real estate debt investments, reflecting a low to moderate risk profile. Advisor's target investment size is $10-40 million and the portfolio construction is intended to adhere to conservative credit-centric and diversification standards.

- Term: The investment fund's term shall continue in full force and effect until the investment fund is dissolved pursuant to certain dissolution events.

UBS TRUMBULL PROPERTY FUND

- The Advisor will comply with all the provisions relating to the Article 1 and 5 of the Illinois Pension Code, specifically Sections, 1-101.2 to 1-101.5, 1-109 and 1-109.1, 1-110, 1-113 to 1-113.10, and 5-187 to 5-187.1

- The Fund's focus is to acquire existing, well-leased properties, or properties with expansion and/or rehabilitation potential and, to a very limited extent, make forward commitments on to-be-built properties. The Fund is primarily a core fund; however, it may make "value added" investments in new development or redevelopment opportunities, properties with lease-up potential, investments with favorable financing in place or properties acquired at prices significantly below replacement cost.

- The long-term strategy for the Fund is to continue to provide broad diversification to maximize portfolio returns while minimizing risk. To ensure reasonable diversification, an asset allocation strategy is employed based on measurements of the market basket of institutional real estate.

- The Fund has both relative and real return objectives. Its relative performance objective is to outperform the NFI-ODCE index over a full market cycle. The Fund's real return performance objective is to achieve at least a 5% real rate of return (i.e., inflation-adjusted return), before advisory fees, over any given 3- to 5-year period.

- There are no investment guidelines available for this manager.

- The Advisor will be entitled to receive an asset-based fee and a variable fee, quarterly in arrears, as follows:

  The Base Fee is a blended percentage rate derived by reference to the annual percentage set forth in the following table:

First 10 million	0.955%
Next 15 million	0.825%
Next 25 million	0.805%
Next 50 million	0.790%
Next 150 million	0.670%
Next 150 million	0.600%
Next 200 million	0.560%
Above 600 million	0.520%

  The Variable Fee ranges from a minimum of 0% to a maximum of 0.25%. The Variable Fee for a quarter is determined using gross return and CPI values for the rolling four-quarter period.

Performance Benchmark: The manager's performance will be compared to the NCREIF Property Index.

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PRIOR POLICY PORTFOLIO COMPOSITION

Prior to September 2014, the return of the Policy Portfolio comprised S&P 500 - 15% - Large Cap, MSCI EAFE - 14% - Developed Non US, 60% MSCI World/ 40% Citi WGBI - 12% - Global Asset Allocation, BC Aggregate Bond - 13% - Core US Bonds, 1/3 each: BC Global Aggregate, ML Global High Yield, JPM EMBI - 9% - Multi Sector Fixed Income, Venture Economics All Private Equity - 9% - Private Equity and Infrastructure; HFRI Fund of Funds - 7% - Hedge Funds, Russell 2000 - 6% - Small Cap, MSCI Emerging Markets (net) - 6% - Emerging Markets Equity, NCREIF Property - 5% - Real Estate, Dow Jones – UBS Commodity TR - 2% - Real Assets, BC Global Inflation linked: US Tips - 2% - Real Assets.

Prior to January 2011, the return of a policy portfolio comprised of 30% of the Dow Jones Total Market Index, 18% of the Morgan Stanley Capital International All Country World ex-U.S. Index and 35% of the Barclays Capital Aggregate Bond Index. If the Fund's actual investments in real estate, private equity, and opportunistic strategies are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, private equity, and opportunistic strategies, with the adjustment being taken from the Dow Jones Total Market Index percentage. If the Fund's actual investments in infrastructure are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in infrastructure, with the adjustment being taken from the Barclays Capital Aggregate Bond Index.

Prior to October 1, 2000: the return of a policy portfolio comprised of 45% of the Wilshire 5000 Stock Index, 15% of the Morgan Stanley Capital International EAFE-Free Index and 35% of the Barclays Aggregate Bond Index. If the Fund's actual investments in real estate are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, with the adjustment being taken from the Wilshire 5000 Stock Index percentage.

Prior to April 1, 2000: the return of a policy portfolio comprised of 50% of the Wilshire 5000 Stock Index, 10% of the Morgan Stanley Capital International EAFE-Free Index and 35% of the Barclays Aggregate Bond Index. If the Fund's actual investments in real estate are different from 0% at the beginning of the quarter, the benchmark will include only the actual percentage invested in real estate, with the adjustment being taken from the Wilshire 5000 Stock Index percentage.

The returns of the Russell Mellon Public Fund Index.

For performance evaluation purposes, all rates of return will be calculated on a net-of-fee basis and returns for periods greater-than one year will be annualized.

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