



Chicago Policemen's Annuity and Benefit Fund

Presentation to Senate
Committee

August 11, 2016

Investment Policy Goals

- Currently our goals for manager allocations are as follows:

| Asset Class | Target Range |
|--------------|--------------|
| Equities | 11-13% |
| Fixed Income | 3-5% |
| Alternatives | 4-5% |

- Our goals regarding usage of Minority Brokerages are as follows:

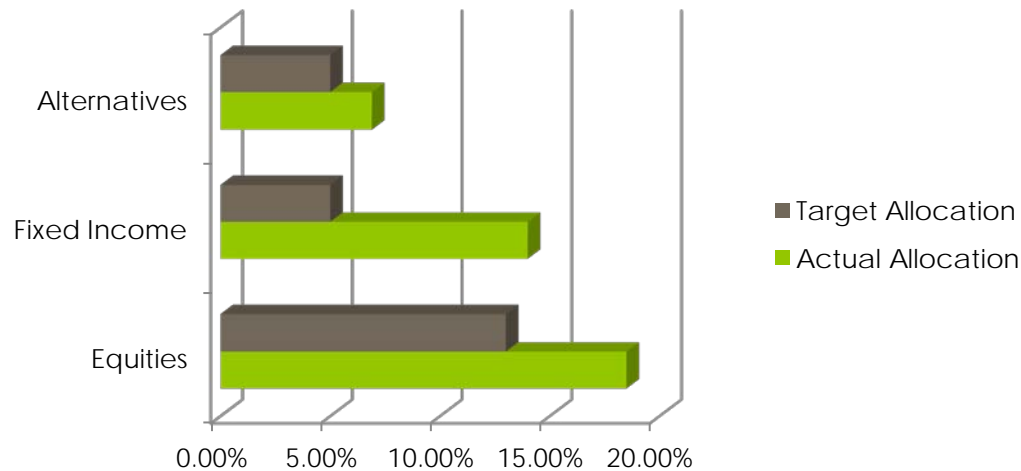
| Asset Class | Target Brokerage Usage |
|---------------|---------------------------|
| US Equity | 35% of commission dollars |
| Non-US Equity | 10% of commission dollars |
| Fixed Income | 25% of commission dollars |

Diversity in Practice

However, in addition to these express goals we focus on ensuring **diversity** across our majority owned managers and client teams. We achieve this in the following way:

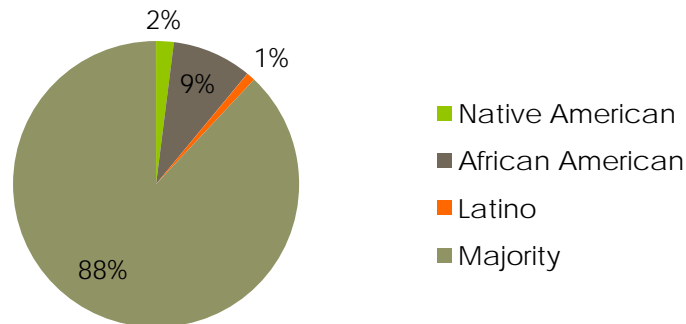
- Special conditions to encourage MWDBE firms to respond to RFPs
- Requirement for managers to provide vendor lists, diversity tables and describe their policy towards diversity
- Diversity tables are gathered quarterly and diversity policy at managers is discussed annually
- Strong encouragement of diversity of client service team
- The investment staff proactively attends Emerging Manager conferences (e.g. Opal, NASP) and seeks out peer idea exchange and knowledge sharing
- There is an “open door” approach to manager meetings - roughly 40 manager meetings/phone calls are held every month with a target of 10% Emerging Managers

Score card



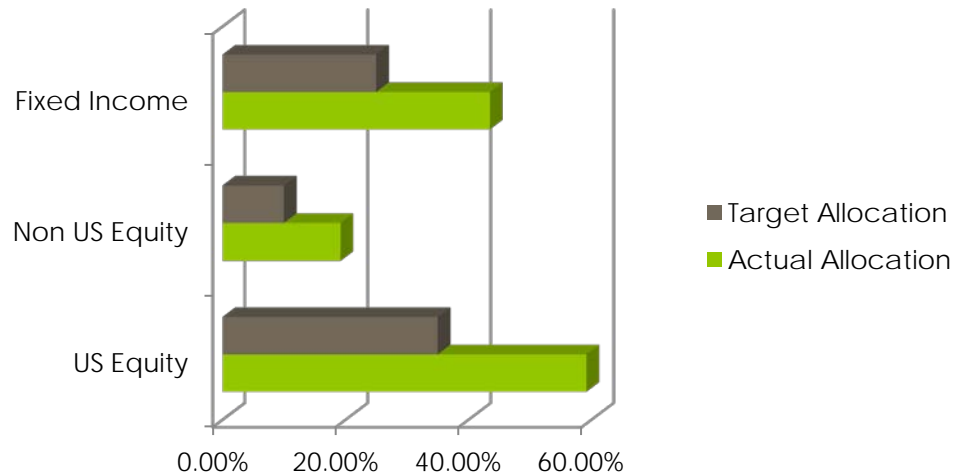
Manager allocations exceed our targets but we will continue to seek further improvement.

Share of total portfolio fees



The overall share of fees remains low – we will seek improvement by reducing fees overall and adding MWDBE managers in alternatives where fees are higher

Score card - brokerage



MWDBE usage exceeds our targets but we will continue to seek improvement and usage of a broader range of brokers

Equity Brokerage



Fixed Income Brokerage



Looking to the future

- In 2016 only one new investment was funded to date – a \$20 m investment in a women-run alternatives fund, Pluscios.
- With an increased level of contributions from the City of Chicago expected in 2016 and going forward, we expect to see a gradual improvement of our funded status and more opportunity to make new investments and upgrade our current portfolio.
- As we rationalize our portfolios we will be seeking to increase allocations to our best performing MWDBE managers and actively seeking new candidates, particularly in the alternatives area
- We continue to work with our managers to encourage usage of a wide range of minority brokerage firms