



**Responses to questions for the Firemen's Annuity & Benefit Fund of Chicago ("FABF")
Search for Investment Advisor (SIA): International Small Cap Equity**
(Please note that similar questions have been grouped together.)

1. Would you also consider an Emerging Markets Small-Cap strategy for this search?

Answer: No, FABF will not consider an emerging markets small-cap strategy for this search.

2. Would FABF consider a strategy that is part of our broader International Equity platform that has USD \$6.9B in AUM (as of September 30th, 2019) across a variety of international equity strategies – that includes USD \$350MM in International Small Cap stocks within an International All Cap strategy - managed by a single team employing the same philosophy and investment process for 20 years?"

Answer: FABF would prefer an established international small cap equity strategy that is not a carve out of a broader international all cap strategy.

3. Our International Small Cap Equity Team manages a total of \$420.8 million in International Small Cap assets under management, including \$84.5 million in our XXX International Small Cap Strategy (inception date January 1, 2016), which we'd like to propose for this mandate. Would the Firemen's Annuity & Benefit Fund of Chicago consider the team's total International Small Cap assets under management in meeting minimum qualifications?

Answer: FABF would consider the team's total international small cap AUM, assuming the total AUM adheres to the same strategy and follows the same investment process as the proposed product.

4. Will the Firemen's Annuity & Benefit Fund of Chicago consider a manager of emerging managers for this search?

Answer: FABF would consider a manager of emerging managers for this search.

5. We manage international small cap equity as part of our global equity portfolios. Can assets under management in international small cap equity of our underlying managers be considered to satisfy the proposed strategy AUM requirement below?

Answer: FABF would prefer an established international small cap equity strategy that is not a carve out of a broader international all cap strategy. If proposing a manager of managers portfolio, FABF would consider the aggregate AUM of the underlying international small cap equity managers.

6. We will be proposing the XXXXX institutional mutual fund. Given that this is publicly traded mutual fund we are unable to direct trades and would therefore not be able to participate in nor

meet the requirements of the MWDBE brokerage policy as stated in the RFP, for this vehicle. In reading the RFP, commingled vehicles will be considered, so how should we address this regarding the minimum requirements? Would the MWDBE brokerage policy not apply for commingled vehicles?

Please confirm that the minority brokerage requirements only apply to separate accounts and not to commingled vehicles such as DBTs.

Answer: FABF’s MWDBE brokerage policy only applies to separate accounts and would not apply to mutual funds or other commingled vehicles. Please notate any qualifications on the Statement of Certification.

7. Can you please confirm the date of submission is the 2nd of December?
Would you please clarify the question due date/time and proposal due date/time?

Answer: RFP submission dates are as follows:

Deadline for SIA Questions	November 1, 2019 (Noon CDT)
Q&A Document posted to Fund’s website	November 8, 2019
SIA Submission Due Date	December 2, 2019 (3:00 PM, CDT)

8. Would you please provide some clarification on whether the mandate will be divided by style (growth, value) that is noted in Section 1 - Overview in the RFP? If the mandate is divided into two styles, we can meet the requirements set forth in Section 2 – Minimum Requirements, Question 5 regarding the investment mandate not representing more than 20% of the proposed strategy total assets and submit our response to your RFP.

Answer: The mandate may be divided by style depending on the submissions. Proposed product assets should be \$200 million at a minimum, regardless of the size of the expected mandate. Please submit style-specific international small cap equity product that meets the minimum requirements.

9. For the international small-cap RFP, would it be possible to provide more color on 5.a? We’re not exactly sure what you’re looking for:

The disclosure of the direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the Adviser in connection with the provisions of Investment Services to the Fund;

Disclosure of Direct and Indirect fees – Could you please indicate the types of fees/commissions/compensation required to be disclosed under 5.a.? Does this include portfolio trading expenses incurred by the Fund for securities we buy/sell?

Answer: The Illinois Pension Code Section 1-113.14 (c) requires that the contract include the disclosure of the direct and indirect fees, commissions, penalties, and other compensation, including reimbursement for expenses, that may be paid by or on behalf of the Adviser in connection with the provisions of Investment Services to the Fund. Thus, please disclose any

fees or expenses that will be charged to a separately managed account or a commingled fund. Such fees may include commissions, audit fees, administrative fees, research fees, etc. Please include any services that are paid for with commission dollars.

10. Will you also exempt [MWDBE] firms from item 5 requiring that The Firemen's Annuity & Benefit Fund of Chicago's ("the Fund") investment must not represent more than 20% of the Respondent's total firm assets or 20% of the proposed strategy total assets? We meet the first part of the requirement where FABF will not represent more than 20% of our firm assets. However, FABF would be more than 20% of the proposed strategy's total assets.

Answer: FABF will exempt MWDBE firms from the strategy size requirement.

11. Our question is as follows: If we proposed a Limited Partnership vehicle, the Fireman's Annuity would be subject to the offering documents of the Limited Partnership. These offering documents would not include provisions that would meet the Fireman's Minority Brokerage Policy. Would the omission of the provisions of the Minority Brokerage Policy exclude us from the search?

Answer: FABF does not require commingled fund investments to adhere to the minority brokerage policy. Please note, however, that FABF does require managers to adhere to the fiduciary standard as stated in the Illinois Pension Code, regardless of the investment vehicle.

12. **Soft Dollars** – The RFP and Form IMA indicate that “no soft dollar payments will be made or received in connection with the execution of transactions on behalf of the fund,” however, page 22 of the investment policy statement indicates that reporting is required with respect to soft dollar amounts and services provided. Could you please clarify whether soft dollar arrangements, including bundled commissions and/or CSA arrangements are permitted for this account?

Answer: FABF does encourage execution only arrangements. However, we do permit soft dollar arrangements, including bundled commissions and CSA arrangements, and, thus, require full disclosure of how our commission dollars are being spent.

13. **MWDBE** – Can you please indicate the anticipated percentage target for brokerage transactions directed to MWDBE for this investment strategy.

Answer: FABF has a 22% goal of equity commissions to be executed with MWDBE brokers, with program success to be measured in aggregate across all managers. We understand that there may be constraints achieving this goal in international small cap equities, but we do look for best efforts.

14. **Litigation and Regulatory Actions** – The statement of certification indicates that there must be “no past or present litigation or regulatory actions against the Advisor or any current employees at the time of submitting the SIA.” Can you please confirm if there is a time period for purposes of answering this question with respect to past litigation or regulatory actions (i.e. in the last 5 years; 10 years, etc.) or does this cover all time periods since the inception of the firm?

Answer: Please explain any on-going litigation. Please include historical litigation outcomes for last 10 years.

15. Does the Ethics policy need to be signed as part of our SIA submission?

Answer: FABF does not require the Ethics Policy to be signed. However, FABF does require a signature on the Statement of Certification which includes the following statement:

“The Advisor understands and will comply with the Fund’s Ethics Policy and the Fund’s Investment Policy Statement.”

16. There’s no language in the RFP inviting us to list out any exceptions we take to their terms/policies/IMA. Should our firm have exceptions and/or variations to be offered on the terms provided, where should we provide that detail?

Answer: Please disclose any exceptions to terms/policies/IMA in the “Statement of Certification.”

17. If we propose a commingled fund for this mandate, The Firemen’s Annuity & Benefit Fund of Chicago’s investment in the Fund would be subject to the same terms as all other investors in the Fund. We will be unable to enter into a separate agreement with The Firemen’s Annuity & Benefit Fund of Chicago or otherwise agree to comply with the Ethics Policy, Investment Policy and MWDBE Brokerage Policy. Will you confirm that we can submit the Fund for your consideration even though we are unable to comply with the Ethics Policy, Investment Policy (including the soft dollar provision) and MWDBE Brokerage Policy?

Answer: FABF does require its investment advisors to adhere the standards for investment advisors established in the Illinois Pension Code. These standards are reflected in the FABF policies. To the extent that you cannot adhere to the standards as detailed in the Illinois Pension Code, then FABF can not invest in your fund. (Note: the MWDBE brokerage policy would not apply to commingled fund investments.)

18. What is the committee’s preference for a developed markets only strategy versus a developed and emerging markets strategy? Is there a preferred limit on emerging markets exposure for a developed market + emerging markets strategy?

Answer: Investment guidelines (including allocation to emerging markets) will be determined during the final contracting stage. At this point, it is expected that the emerging markets allocation within the international small cap strategy will not exceed 10%.

19. If any of the comments below may cause difficulties with the management of the Fund from the perspective of the Firemen’s Annuity & Benefit Fund, please let us know.

Within the FABF Statement of Investment Policy:

- Lending: Generally, we can accommodate securities lending. It is important to note that we are not able to provide advance notification, or even same day notification of sales to the custodian in order for them to recall shares. This was a request within the Risk Controls

under the Securities Lending section: *“The Fund shall direct the Investment Manager of the securities to notify the Custodian of any sales by no later than the trade date to permit the Custodian to effect timely return of loaned securities prior to or on the settlement date.”*

Answer: No issue. Trade communication/securities lending recall is an automated process at Northern Trust.

- Investment Disciplined Objectives (4B): The comments in this policy are looking for an overall level of risk of the portfolio that is consistent with the risk associated with the benchmark. As [Advisor] has an active investment approach, we do not manage to the broad market.
- **Answer:** No issue. Specific investment goals and constraints for each investment manager shall be established in the investment contract documentation.
- Brokerage and Execution of Transactions: We are unable to accommodate FABF’s request with regard to utilization of minority brokerage firms, or the reporting requirements that go along with it.
Answer: FABF requires that Investment Managers with authority over Fund assets must use sound professional judgment in conducting each transaction to obtain the best possible unit price and terms of execution in respect to placing brokerage consistent with Section 1-113.20 of the Code. Additionally, FABF requires its Investment Managers to use their best efforts to place brokerage business with minority, women and disabled person business enterprise firms. Unwillingness or the lack of best efforts would not be acceptable to FABF.
- On a quarterly basis: Provide performance attribution within 10 business days: We strive to have reports available by the 10th business day. However, please note that some of our information comes from third party providers, and as such, attribution may be delayed beyond the 10-day period.
Answer: No issue. Reports may be sent when available.
- On a quarterly basis: Transaction Cost Analysis: We are unable to produce a TCA report that is specific to an individual account and would not be available within 10 business days.
Answer: No issue. Report may be sent when available. TCA report may be a firm/strategy level report.
- On a quarterly basis: Soft Dollar reporting: We cannot provide a breakout of products and services used to support your account. However, we can provide FABF with account-level gross commissions and the brokers through which those commissions were generated. We also can provide a list of products and services that are paid for with soft-dollars but used firm-wide.
Answer: No issue. Proposed reporting would be acceptable.
- On an annual basis: Brokerage Certification: We are not able to provide this.
Answer: FABF requires its Investment Managers to use their best efforts to place brokerage business with minority, women and disabled person business enterprise firms. The lack of efforts would not be acceptable to FABF.

20. Within the FABF Sample Investment Management Agreement:

- Insurance (section 4.2): We have \$10M of coverage. We have no means to monitor AUM levels and adjust coverage amounts to meet the 5% of the value of the portfolio.
Answer: No issue. FABF will monitor insurance coverage levels.
- Soft-Dollar: we would need clarification as to whether soft dollar usage is acceptable within the portfolio.

Answer: FABF does permit soft dollar arrangements, including bundled commissions and CSA arrangements. However, we encourage execution only arrangements.

- MFN Language: We would request minor changes in the language provided.

Answer: Minor changes to MFN language would be permitted.

21. Can the Firemen's Annuity & Benefit Fund of Chicago invest in a DBT (Delaware Business Trust)? If DBT's are permissible, is there a preference for the investment structure (separate account or commingled)?

Answer: Yes, FABF can invest in a DBT if the DBT meets the required qualifications of the RFP mandate and its managers agree to manage the FABF assets in a fiduciary manner consistent with the fiduciary requirements of the Illinois Pension Code and the requirements of Illinois law. Please review fiduciary standard for Illinois as it may differ from fiduciary standard of the proposed commingled vehicle. Any difference would be addressed in a side letter. FABF would prefer a separate account.