

Park Ridge Firefighters' Pension Fund
Statement of
Investment Policy
Objectives and Guidelines

Scope of This Investment Policy

This statement of investment policy states the investment policy, objectives, and constraints of the Pension Fund.

Purpose of This Investment Policy Statement

This statement of investment policy is set forth by the Board of Trustees of the Park Ridge Firefighters' Pension Fund in order to:

1. Define and assign the responsibilities of all involved parties.
2. Establish a clear understanding for all involved parties of the investment goals and objectives for Fund assets.
3. Offer guidance and limitations to all Investment Managers regarding the investment of Fund assets.
4. Establish a basis for evaluating investment results
5. Ensure that the Fund is managed in accordance with the Illinois Pension Code and regulations pertaining thereto.
6. Establish the relevant investment horizon for which Fund assets will be managed.

In general, the purpose of this statement is to outline a philosophy and attitude which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical.

DELEGATION OF AUTHORITY

The Board of Trustees of the Park Ridge Firefighters' Pension Fund is responsible for directing and monitoring the investment management of investment assets. The Board may delegate certain authority to professional experts in various fields. This includes, but is not limited to:

1. Investment Management Consultant. The Consultant may assist the Trustees in: Establishing investment policy, objectives, and guidelines; selecting investment managers; reviewing such managers over time; measuring and evaluating investment performance; and other tasks as deemed appropriate.
2. Custodian. The Custodian will physically (or through agreement with a sub-custodian) maintain possession of securities owned by the Fund, collect securities, and effect receipt and delivery following purchases and sales. The custodian may also perform regular accounting of all assets owned, purchased, or sold, as well as movement of assets into and out of the Fund's accounts.

3. Investment Manager(s). The investment manager has discretion to purchase, sell, or hold the specific securities that will be used to meet the Fund's investment objectives.
4. Additional specialists such as attorneys, auditors, and others may be retained by the Fund to assist in meeting its responsibilities and obligations to administer the assets prudently.

DEFINITIONS

1. "The Fund" shall mean the Park Ridge Firefighters' Pension Fund.
2. "Board" shall refer to the Board of Trustees of the Fund.
3. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this statement.
4. "Investment Horizon" shall be the time period over which the investment objectives, as set forth in this statement, are expected to be met. The investment horizon is five to ten years.
5. "Fiduciary" shall mean any person who exercises any discretionary authority or discretionary control respecting management of the Fund, or exercises any authority or control respecting management or disposition of Fund assets; renders investment advice for a fee or other compensation, direct or indirect, with respect to any moneys or other property of the Fund, or has any authority or responsibility to do so; or has any discretionary authority or discretionary responsibility in the administration of the Fund. (40 ILCS 5/1-101.2).
6. "Investment Manager" shall mean any individual, or group of individuals, retained to manage the investments of all or part of the Fund assets.
7. "Investment Management Consultant" shall mean any individual or organization employed to provide advisory services, including advice on investment objectives and/or asset allocation, manager search, and performance monitoring.

PROHIBITED TRANSACTIONS

The members of the Pension Fund Board of Trustees, and all other employees, agents, officials, or representatives of the Pension Fund involved in the investment process shall avoid any transactions prohibited by federal, state, or local law, particularly as set forth in 40 ILCS 5/1-110 and 30 ILCS 235/2. All such persons shall avoid any personal business activity that, directly or indirectly, may cause personal financial benefit as a result of the Pension Fund's investment program, that may cause financial loss or insecurity to the Pension Fund's program, or that would cause an appearance of impropriety among reasonable people if generally known to the public. Furthermore, such person shall

promptly advise the President of the Pension Board in writing if any investment activity planned by the Pension Board would conflict with existing personal business, and shall abstain from any activity concerning such an investment by the Pension Board. (40 ILCS 5/1-110)

GENERAL INVESTMENT PRINCIPLES

1. Investments shall be made solely in the interest of the beneficiaries of the Fund.
2. The assets shall be invested with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of like character and with like aims.
3. Asset allocation shall be established and reviewed periodically, but at least semiannually, by the Board.
4. Investments shall be diversified to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.
5. The Fund may retain one or more investment managers of varying styles and philosophies to attain the Fund's objectives.
6. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

RESPONSIBILITY OF THE INVESTMENT MANAGER(S)

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary. (40 ILCS 5/1-113.9). Each Investment Manager will have full discretion to make all investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this statement. Investment Managers must meet the requirements of Section 1-101.4 of the Illinois Pension Code. Specific responsibilities of the Investment Manager(s) include:

1. Discretionary investment management including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines established in this statement.
2. Reporting on a timely basis, quarterly investment performance results.
3. Communicating any major changes to economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Fund's investment management.

4. Informing the Trustees regarding any qualitative changes to investment management organization. Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies on behalf of the Fund and communicating such voting records to the Trustees on a timely basis.

INVESTMENT OBJECTIVES

In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregated return from capital appreciation and dividend and interest income.

The Fund seeks long-term growth of principal while avoiding excessive risk. Short-term volatility will be tolerated to the extent it is consistent with the volatility of a comparable market index.

SPECIFIC INVESTMENT GOALS

Over the investment horizon established in this statement for the equity portion of the Fund, it is the goal to meet or exceed the Standard & Poors 500 Market Index:

The investment goals above are the objectives of the equity portion of the Fund, and are not meant to be imposed on each investment account. The goal of each investment manager, over the investment horizon, shall be to:

1. Meet or exceed the market index, or blended market index, selected and agreed upon by the Trustees that most closely corresponds to the style of investment management.
2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above. Risk will be measured by the standard deviation of quarterly returns.

INVESTMENT GUIDELINES

Investment Instruments

The Board may invest Fund assets only in investments authorized by Sections 1-113.2 to 1-113.10, of the Illinois Pension Code, as it may be amended from time to time, and as authorized by other applicable law. (40 ILCS 5/1-113.2 – 113.10).

Fixed Income Diversification and Parameters

The Board seeks to manage interest rate risk and credit risk by investing in obligations of the U.S. Government and its agencies, with a diversified range of maturities not to exceed

30 years. Agencies maturing longer than one year are to be AAA rated from Standard and Poors. The Board shall seek to diversify agency issuers.

Authorized Financial Dealers and Institutions

The Park Ridge Firefighters' Pension Fund will maintain a list of financial institutions and brokers authorized to provide investment services.

Brokers must be "primary" dealers or regional dealers that qualify under Securities and Exchange Commission Rule 15C3-1 (uniform net capital rule). No public deposit shall be made except in a qualified public depositor as established by state statutes.

For transactions not made through an investment advisor, all financial institutions and broker/dealers who desire to become qualified for investment transactions must supply the following as appropriate:

- Audited financial statements demonstrating compliance with state and federal capital adequacy guidelines
- Proof of National Association of Securities Dealers (NASD) certification (for transactions made through broker/dealers)
- Proof of state registration
- Evidence of appropriate insurance coverage such as SIPC, excess SIPC coverage, Blanket Bond Fidelity and Investment Advisors Errors and Omissions.

Periodic review of the financial condition and registration of all qualified financial institutions and broker/dealers will be conducted by the Park Ridge Firefighters' Pension Board.

COLLATERALIZATION

Funds deposited in excess of FDIC limits must be secured by some form of collateral. The Fund will accept any of the following assets as collateral:

- Government Securities;
- Obligations of Federal Agencies;
- Obligations of Federal Instrumentalities; and,
- Obligations of the State of Illinois.

The Fund reserves the right to accept/reject any form of the above named securities.

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of public funds secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed quarterly, and additional collateral will be required when the ratio declines below the level required and collateral will be released if the fair market value exceeds the required level. Pledged collateral will be held in safekeeping, by an independent third party depository designated by the Fund, or the

Federal Reserve Bank of Chicago, and evidenced by a safekeeping agreement. Collateral agreements will preclude the release of the pledged assets without an authorized signature from the Fund.

INVESTMENT MANAGER PERFORMANCE REVIEW AND EVALUATION

Performance reports generated by the Investment Management Consultant shall be compiled at least quarterly and communicated to the Trustees for review. The investment performance of total portfolios, as well as asset class components, will be measured against commonly accepted performance benchmarks. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement. The Trustees intend to evaluate the portfolio(s) over at least a five to ten year period, but reserve the right to terminate a manager for any reason including, but not limited to, the following:

1. Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization.

Investment managers shall be reviewed regularly regarding performance, personnel, strategy, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

INTERNAL CONTROLS

To insure proper control of Fund assets, the President or Treasurer of the Fund shall be a mandatory signer on all accounts, with another officer as co-signer.

The Pension Board shall use and apply the internal controls established by the City of Park Ridge, to the extent that they are applicable to the Pension Fund, to prevent losses of the public funds arising from fraud, employee error, and misrepresentation by third parties, or imprudent actions by officers, employees or appointees of the Pension Board.

REPORTING: INTERIM AND ANNUAL

The Board shall receive a quarterly report of investment activities. Upon the completion of the reviewing process conducted by the Board, an annual report of the Fund shall be presented to the City Council of the City of Park Ridge by the Trustees in compliance with Section 4-134 of the Illinois Pension Code. (40 ILCS 5/4-134).

Pursuant to Section 1A-109 of the Illinois Pension Code (40 ILCS 5/1A-109), the Trustees shall submit a certified Annual Statement of the Firefighters' Pension Fund to the Illinois Department of Financial and Professional Regulation's Division of Insurance in the format provided by the Division of Insurance within six (6) months following the close date of the Fund's fiscal year. In accordance with Section 1A-112 of the Illinois Pension Code (40 ILCS 5/1A-112), the Trustees shall remit compliance fees along with the Annual Statement.

INVESTMENT POLICY REVIEW

To assure continued relevance of the guidelines, objectives, financial status and capital markets expectations as established in this statement of investment policy, the Trustees plan to review investment policy at least annually.

A copy of this investment policy shall be filed with the Illinois Department of Financial and Professional Regulation's Division of Insurance within thirty days of its adoption or revision. (40 ILCS 5/1-113.6).

This statement of investment policy is adopted on May 8, 2007, by the Board of Trustees of the Park Ridge Firefighters' Pension Fund whose signatures appear below.

Thomas Sutfin

Ed Dubowski

J.D. Bruchsaler

Rick Holthouse

Carl Brauweiler