

**Park Ridge Firefighters' Pension Fund**  
**Investment Policy Statement**

**August 2016**  
**(Replacing May 2011)**

## **SCOPE OF THIS INVESTMENT POLICY STATEMENT**

This investment policy statement reflects the investment policy, objectives, and constraints of the Park Ridge Firefighters' Pension Fund.

## **PURPOSE OF THIS INVESTMENT POLICY STATEMENT**

This investment policy statement 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 Manager(s) 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 Manager(s); reviewing such Investment Manager(s) 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(s) have 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. "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 individual or group of individuals who exercise discretionary authority or control over Fund management or any authority or control over management, disposition, or administration of the Fund assets as defined in Sections 1-101.2 and 1-109 of the Illinois Pension Code (40 ILCS 5/1-101.2 and 1-109).
6. "Investment Manager" shall mean any individual, or group of individuals, retained to manage the investments of all or part of the Fund assets as defined by Sections 1-101.4 and 1-113.5 of the Illinois Pension Code (40 ILCS 5/1-101.1 and 1-113.5).
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 as defined in Section 1-113.5 of the Illinois Pension Code (40 ILCS 5/1-113.5).

## **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. Assets shall be invested in proportion to the fair market value of the Fund's assets.
4. Investments shall be so diversified as 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 Manager(s) of varying styles and philosophies to attain the Fund's objectives. The selection of Investment Manager(s) shall be in conformity with Section 1-113.5 of the Illinois Pension Code (40 ILCS 5/1-113.5).
6. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity, and return.

### **INTERNAL CONTROLS**

The Board of Trustees shall establish a written document detailing a system of internal controls. The internal controls shall be reviewed by the Fund's accountants and with the independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, or misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by the employees and officers of the Fund. The Treasurer of the Board of Trustees shall be authorized to act in accordance with the Illinois Pension Code (40 ILCS 5/4-130) and the Public Funds Investment Act, where applicable (30 ILCS 235/2.5(a)(6)).

### **RESPONSIBILITY OF THE INVESTMENT MANAGER(S)**

Each Investment Manager must acknowledge in writing its acceptance of responsibility as a Fiduciary. 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. 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.

Over the investment horizon established in this statement for the Fund, it is the goal of the Fund to meet or exceed both a customized blended benchmark, as well as the actuarial assumed rate of return of the Fund on a net of fees basis.

## **ASSET ALLOCATION**

The assets of the Fund shall be allocated in accordance with the following asset allocation guidelines:

<b>Asset Class</b>	<b>Target</b>	<b>Minimum</b>	<b>Maximum</b>
Total Fixed Income	35%	35%	45%
Total Equity	65%	55%	65%
Total Cash	0%	0%	5%
<b>TOTAL</b>	<b>100.0%</b>		

In the event that the above aggregate asset allocation guidelines are violated, for reasons including but not limited to market price fluctuations, the Board will instruct the Investment Manager(s) to bring the Fund into compliance with these guidelines as promptly and prudently as possible.

The Board will review the asset allocation quarterly. In conjunction with Illinois Pension Code (40 ILCS 5/1-101 *et seq.*), if the equity allocation exceeds the maximum allowable (65% of portfolio value), the Fund will be rebalanced.

## **INVESTMENT GUIDELINES**

### **Investment Instruments**

The Board of Trustees may invest the Fund only in investments authorized by 40 ILCS 5/1-113.2 to 1-113.10, and 40 ILCS 5/1-110.5 of the Illinois Pension Code, as it may be amended from time to time, and as authorized by other applicable law.

## **Fixed Income Investment Manager(s) Guidelines**

1. As stated in the Illinois Pension Code relating to Article 4 Pension Funds, specifically Sections 1-113.1, 1-113.2, 1-113.3, 1-113.4, and 1-113.4a relating to Permissible Investments (40 ILCS 5/1-113.1 *et seq.*) the Investment Manager may invest in the following fixed income securities:
  - a) Interest bearing direct obligations of the United States of America.
  - b) Interest bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America.
  - c) Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this Section, "agencies of the United States of America" includes: (i) the Federal National Mortgage Association and the Student Loan Marketing Association; (ii) federal land banks, federal intermediate credit banks, federal farm credit banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Act of 1971 or amendments to that Act; (iii) federal home loan banks and the Federal Home Loan Mortgage Corporation; and (iv) any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
  - d) Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
  - e) Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
  - f) Interest bearing bonds of the State of Illinois.
  - g) Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool in accordance with the Deposit of State Moneys Act, interest bearing funds or pooled accounts of the Illinois Metropolitan Investment Funds, and interest bearing funds or pooled accounts managed, operated, and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois.
  - h) Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
  - i) Direct obligations of the State of Israel, subject to the conditions and limitations of item (5.1) of Section 1-113.
  - j) Money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies. (See Section 1-113.2(11) for restrictions)
  - k) Corporate bonds managed through an investment advisor must meet all of the following requirements: (i) the bonds must be rated as investment grade by one of the 2 largest rating services at the time of purchase; and (ii) if subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.

2. No single security should comprise more than 10% of the portfolio's overall allocation after accounting for price appreciation.
3. The average duration of the portfolio is not to vary more than +/-20% of the duration of the index (see Addendum A).
4. The Investment Manager may invest up to 10% of its portfolio in cash or cash equivalents.

#### **Equity Investment Manager(s) Guidelines**

1. As stated in the Illinois Pension Code relating to Article 4 Pension Funds, specifically Sections 1-113.1, 1-113.2, 1-113.3, 1-113.4, and 1-113.4a relating to permissible investments (40 ILCS 5/1-113.1 et. Seg.) the Investment Manager(s) may invest in the following equity securities:
  - a) The common stocks are listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
  - b) The securities are of a corporation created or existing under the laws of the United States or any state, district, or territory thereof and the corporation has been in existence for at least 5 years.
  - c) The corporation has not been in arrears on payment of dividends on its preferred stock during the preceding 5 years.
  - d) The market value of stock in any one corporation does not exceed 5% of the cash and invested assets of the Pension Fund, and the investments in the stock of any one corporation does not exceed 5% of the total outstanding stock of the corporation.
  - e) The straight preferred stocks or convertible preferred stocks are issued or guaranteed by a corporation whose common stock qualifies for investment by the Trustees.
  - f) The issuer of the stocks has been subject to the requirement of Section 12 of the federal Securities Exchange Act of 1934 and has been current with the filing requirement of the Sections 13 and 14 of that Act during the preceding 3 years.
2. The portfolio should be fully invested at all times however; the Investment Manager may invest up to 5% of its portfolio in cash or cash equivalents. If an Investment Manager believes that certain opportunities justify allocations beyond the limits prescribed above, it must request permission from the Board of Trustees in writing before doing so.
3. Options, financial futures, private placements, or venture capital may not be purchased. The purchase of securities on margin is prohibited.

4. No single security in the Investment Manager(s) portfolio will comprise more than 5% of its 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. All interest and dividend payments must be swept on a daily basis into a short-term money market fund for re-deployment.
6. Securities listed on pink sheets may not be purchased or held at any time within the portfolio.
7. American Depository Receipts (ADR's) may not be purchased or held at any time within the portfolio.

### **COLLATERALIZATION**

Cash deposits 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.

### **ETHICS AND CONFLICTS OF INTEREST**

The members of the Board of Trustees, and all other employees, agents, officials, or representatives of the Fund involved with 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 Fund's investment program, that may cause financial loss or insecurity to the 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 Board of Trustees in writing if any investment activity planned by the Board would conflict with existing personal business, and shall abstain from any activity connecting such an investment by the Board.

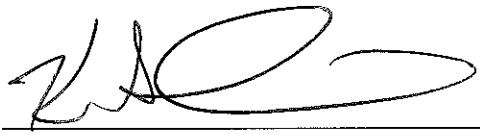
### **FILING OF POLICY; PUBLIC AVAILABILITY**

The Board shall file this Policy with the Illinois Department of Insurance within thirty (30) days of its adoption. Pursuant to 30 ILCS 235/2.5(c), the Board shall make a copy of this Policy available to the public at the main administrative office of the Fund.

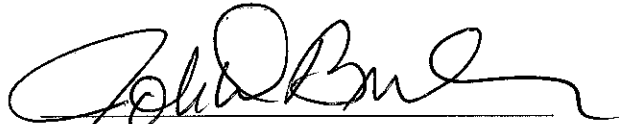
### **INVESTMENT POLICY REVIEW**

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.

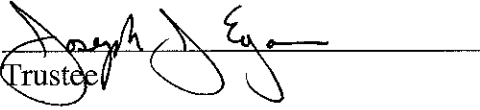
This statement of investment policy is adopted on August 16, 2016 by the Board of Trustees of the Park Ridge Firefighters' Pension Fund whose signatures appear below.



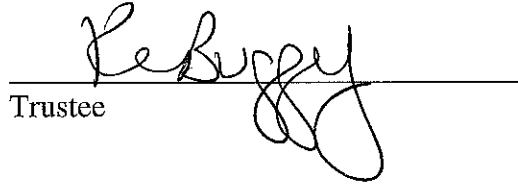
President



Secretary



Trustee



Trustee



Trustee

**ADDENDUM A - INVESTMENT PROFESSIONAL ADOPTION OF POLICY**

This statement of investment policy was adopted by the Board of Trustees of the Park Ridge Firefighters' Pension Fund on the August 16, 2016.

**Investment Professional's Acknowledgments:**

The firm has received this copy of the Fund's investment policy statement. The firm has studied its provisions and believes that we can both abide by its restrictions and fulfill its goals and expectations over the timetables set forth in the Policy. The firm acknowledges that it, and any individual providing investment services to the Fund, is a Fiduciary with respect to the Fund.

MESROW FINANCIAL  
Firm Name

Peter W. Hegel  
Investment Professional – Signature

PETER W. HEGEL, MANAGING DIRECTOR  
Investment Professional and Title – Print

8/29/16  
Date

**ADDENDUM A - INVESTMENT PROFESSIONAL ADOPTION OF POLICY**

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Segall Bryant & Hamill  
Firm Name

Gregory C. Hosbein  
Investment Professional – Signature

Gregory C. Hosbein, Principal / Fixed Income Portfolio Manager  
Investment Professional and Title – Print

8/24/16  
Date

**ADDENDUM A - INVESTMENT PROFESSIONAL ADOPTION OF POLICY**

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Marquette Associates  
Firm Name

  
Investment Professional – Signature

Mike Piotrowski, Managing Partner  
Investment Professional and Title – Print

8/16/16  
Date