

**Park Ridge Firefighters' Pension Fund**

**Statement of**

**Investment Policy**

**Objectives and Guidelines**

## **Scope of This Investment Policy**

This statement of investment policy reflects 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 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 of Trustees is authorized to delegate certain responsibilities to professional experts in various fields. These include, but are not limited to:

1. **Investment Management Consultant.** The Consultant may assist the Board of 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 employed by the Board of Trustees 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. "Trustees" or "Board of Trustees" shall refer to 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 that 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 in Sections 1-101.4 and 1-113.5 of the Illinois Pension Code (40 ILCS 5/1-101.4 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 managers of varying styles and philosophies to attain the Fund's objectives. The selection of investment managers 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 employees and officers of the Fund. The Treasurer and the Board of Trustees shall be authorized to act in accordance with the Illinois Pension Code (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 Board of 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 in as much as 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 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.

## **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, or the Federal Reserve Bank of Chicago, designated by the Fund 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 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 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 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 concerning such an investment by the Board.



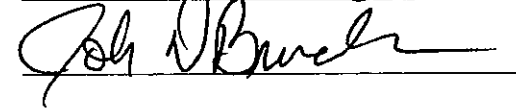
#### **FILING OF POLICY; PUBLIC AVAILABILITY**

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 May 10, 2011, by the Trustees of the Park Ridge Firefighters' Pension Fund whose signatures appear below.

  
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