

Statement of Investment Policy

County Employees' and Officers' Annuity and Benefit Fund of Cook County

**Adopted May, 2008;
Amended December 3, 2009**

****Pending Revision****

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(As Amended December 3, 2009)**

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I. Introduction

A. Introduction

The County Employees' and Officers' Annuity and Benefit Fund of Cook County is a statutorily created public defined benefit plan. The Fund was established on January 1, 1926 and is governed by the Illinois Pension Code. The Fund is designed to provide retirement, death and disability benefits (collectively, "Pension Benefits") for Cook County employees and their surviving spouses, children and certain other dependents.

This Statement of Investment Policy was adopted by the Board of Trustees on December 3, 2009. This policy is reviewed annually by the Board.

B. The Purpose of this Policy

Under the guidance and direction of the Board and governed by the "prudent man rule", it is the mission of the Fund and the Investment Staff to optimize the total return of the Fund's investment portfolio through a policy of diversified investments using parameters of prudent risk management as measured on the total portfolio, acting at all times in the exclusive interest of the participants and beneficiaries of the Fund.

To accomplish this mission, the Board and Investment Staff understand and accept their fiduciary obligations to the members of the Fund. These obligations are legal in nature and are outlined in the Illinois Pension Code [40 ILCS 5]. Investments made by the Fund shall satisfy the conditions of the Illinois Pension Code and applicable Illinois law and, in particular, the prudent man standard set forth in Section 1-109 of the Illinois Pension Code [40 ILCS 5/1-109].

In summary, the provisions of the Illinois Pension Code defining the duties, obligations and responsibilities of a "fiduciary" are these:

- a fiduciary is anyone who has discretion in managing retirement system assets or in administering the retirement system, or who renders investment advice for direct or indirect compensation. [40 ILCS 5/1-101.2]
- a fiduciary must discharge its duties to the retirement system for the exclusive purposes of providing benefits to participants and beneficiaries, and defraying administrative expenses of the retirement system. [40 ILCS 5/1-109(a)]
- a fiduciary must discharge its duties to the retirement system with the same care, skill, prudence and diligence that a prudent expert would use in a similar enterprise. [40 ILCS 5/1-109(b)]
- a fiduciary must discharge its duties to the retirement system by diversifying the investments to minimize the risk of large losses, unless prudence dictates otherwise. [40 ILCS 5/1-109(c)]

- a fiduciary must discharge its duties to the retirement system in accordance with Articles 1 and 9 of the Illinois Pension Code. [40 ILCS 5/1-109(d)]
- a fiduciary must not cause the retirement system to engage in prohibited transactions. A fiduciary must not deal with the retirement system's assets for its own interest, or on behalf of any party whose interests are adverse to the retirement system or its participants or beneficiaries. [40ILCS 5/1-110 and 110.5]

Subject to these fiduciary standards, the Board and Investment Staff shall endeavor at all times to implement this Statement of Investment Policy in a manner consistent with the stated mission of the Fund, while ensuring transparency and compliance with all applicable laws and regulations.

This Policy is set forth by the Board in order to:

- Establish a clear understanding of all involved parties of the investment goals and objectives of the Fund.
- Define and assign the responsibilities of all involved parties.
- Establish the relevant investment horizon for which the Fund assets will be managed.
- Establish risk parameters governing assets of the Fund.
- Establish target asset allocation and re-balancing procedures.
- Establish a methodology and criteria for selecting, retaining and terminating Investment Professionals.
- Offer specific guidance to and define limitations for all Investment Managers regarding the investment of Fund assets.

In summary, the purpose of this Statement of Investment Policy is to formalize the Board's investment objectives, policies and procedures and to define the duties and responsibilities of the various entities involved in the investment process. This Statement of Investment Policy is intended to serve as a guide, a reference tool and a communications link between the Board, Investment Staff and its Investment Professionals.

No provision of this Statement of Investment Policy shall be construed in contravention of the enabling legislation applicable to the Fund found in the Illinois Pension Code.

II. Duties and Responsibilities
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A. The Board

The Trustees of the Board shall function as fiduciaries. The Board may delegate functions that a prudent entity acting in a like capacity and familiar with those matters could properly delegate under the circumstances. The Trustees of the Board shall

discharge their duties with respect to the Fund solely in the interest of the participants and beneficiaries of the Fund.

The Board has the responsibility of establishing and maintaining broad policies and objectives for all aspects of the Fund's operation. The Board is responsible for prudent investment and expenditure of the Fund's assets. Specifically with regard to investments, the Board takes action upon recommendations that come from its Investment Committee and Emerging Manager Investment Committee. The Board is responsible for establishing reasonable and consistent investment objectives, policies and guidelines governing the investment of Fund assets. Accordingly, the Board will conduct periodic reviews of Fund policies according to the following review schedule:

Formal Review Schedule	
Frequency	
Total Fund Performance	Quarterly
Investment Manager Evaluation	Periodically
Asset Allocation Policy	At least every 3 years
Investment Policy	At least annually

The Board also approves actuarial assumptions, certifies contribution rates and determines policies pertaining to the administration of the plans and benefits under its jurisdiction and responsibility.

The Board in conjunction with Investment Staff has responsibility for ensuring that all reporting requirements mandated by the Illinois Pension Code are complied with in a timely manner. Under the Illinois Pension Code, each Trustee of the Board is required to obtain a minimum of eight (8) hours per year of training relating to matters of ethics, fiduciary duty, investment issues or any other subject that the Board establishes as being important for the administration of the Fund.

All Trustees of the Board shall be indemnified and held harmless by the Fund for any reasonable cost or expenses incurred as a result of any actual or threatened litigation or administrative proceeding arising out of the performance of the Trustee's duties in accordance with 40 ILCS 5/1-107. No Trustee of the Board may participate in deliberations or vote on any matter before the Board which will, or is likely to, result in direct, measurable gain to the Trustee, or to that Trustee's employer or immediate family member.

B. Investment Committee

The Board has established an Investment Committee which shall be a committee of the whole. Members of the Investment Committee will conduct their responsibilities as fiduciaries. The Investment Committee reviews and makes recommendations with respect to the Fund's investments to the Board for approval and/or ratification relating to the Fund's liquidity requirements, investment horizon, risk tolerance and asset

allocation. In addition, the Investment Committee is responsible for implementing all Board approved policies related to the Investment Program.

The Investment Committee, in conjunction with Investment Staff and the Fund's Investment Consultant, shall review and make recommendations to the Board on investment actions including, but not limited to, the following investment related topics:

1. All Board approved policies related to the Investment Program including:
 - the Statement of Investment Policy (including exhibits and/or appendices)
 - Investment Asset Allocation Policy, Performance Benchmarks and Rebalancing
 - Investment Manager Selection and Termination
2. Investment Manager Relationships
3. Investment Consulting Relationship(s)
4. The Custodian Relationship
5. The Securities Lending Program

The Investment Committee maintains primary responsibility and oversight for Investment Professional relationships and for evaluating investment performance and compliance by Investment Professionals with this Statement of Investment Policy.

C. Emerging Manager Investment Committee

The Emerging Manager Investment Committee ("EMIC") consists of no less than five (5) Trustees, approved by the Board. Members of the Emerging Manager Investment Committee will conduct their responsibilities as fiduciaries.

The goal of the Emerging Manager Investment Committee is to develop and maintain, on behalf of the Fund, an Emerging Investment Manager and Minority, Woman, or Disabled-Owned Business investment program and recommend policies that proactively encourage the utilization of Emerging Investment Managers in accordance with the Illinois Pension Code.

Consistent with the direction set by the Board, the EMIC will evaluate and recommend investment policies and goals for the utilization of Emerging Investment Managers and Minority, Woman, or Disabled-Owned (M/W/DBE) broker/dealers consistent with the Fund's broader investment strategy. The EMIC will monitor progress toward achieving these goals and evaluate them on an annual basis. In fulfillment of the utilization goals, the EMIC will recommend searches for Emerging Investment Managers as needed.

The EMIC shall provide direction for the Emerging Investment Manager program and will generally be responsible for monitoring and evaluating the Fund's Emerging Investment Managers and recommending criteria for Emerging Manager placements through direct mandates with the Fund. In addition, the EMIC will provide oversight for the Manager-of-Emerging Managers program and the Investment Manager. The EMIC

will recommend to the Board graduation candidates for consideration for direct placement with the Fund from the Manager-of-Emerging Managers program.

The EMIC will serve as a liaison to the Emerging Investment Manager community and stay informed of Emerging Investment Manager issues both locally and industry-wide.

D. Investment Staff

The Executive Director and Chief Investment Officer (“CIO”) are charged with the coordination of all investment activities and matters on behalf of the Fund. They shall report to the Board, the Investment Committee or EMIC, as applicable, on emerging trends and issues of concern to public pension funds generally and to the Fund in particular.

The Investment Staff will be managed by the CIO who reports to the Executive Director. The Investment Staff is responsible to the Board for a continuous review and analysis of the current investment climate and shall recommend adjustments with respect to the Board’s policy and investment program as appropriate. The Investment Staff also continually reviews and analyzes the philosophies, policies and strategies employed by the Fund’s Investment Managers examining their decision-making process and their investment style in relation to present and projected investment horizons and to ensure that the goals and objectives of the Board and the specific guidelines imposed upon particular Investment Managers are being met.

Subject to Board direction and approval, Investment Staff’s responsibilities shall also include, without limitation, liquidation of assets needed to acquire permanent investments or to pay benefits and expenses, investment of cash proceeds, implementation of Board decisions regarding funding modifications, hiring and termination of external Investment Managers, negotiating investment management agreements with Investment Managers where required, responding to inquiries from state legislators or other governmental representatives and the public concerning the investments of the Fund and performing such other duties as may be required to implement this Statement of Investment Policy and the Board’s investment program. The Fund’s Investment Staff also works closely with the external Investment Consultant(s). Accordingly, recommendations to the Investment Committee and EMIC will generally be developed jointly by the Investment Staff and Investment Consultant.

The Fund’s Investment Staff will adhere to principles of safeguarding the Fund’s assets by working with the Investment Consultant to continuously monitor firms which manage or have custody of Fund assets to assure that such firms continue to be stable and financially secure. Instability of any firm or financial weakness shall be reason to transfer custody and/or management of assets from the firm. The Fund’s Investment Staff will conduct cash management and transition management activities consistent with this principle in authorizing and directing the Investment Managers to liquidate and transfer moneys, as needed, to pay Pension Benefits, fund expenses, fund investments or other uses as directed by the Board. In the case of in-kind distributions of securities,

such distributions will be sold immediately, in accordance with the recommendations of the Investment Manager or General Partner. The Investment Staff will ensure that the transfer of funds between accounts and any corresponding transactions will be evidenced in writing and conducted by an authorized Investment Staff member and be in compliance with the Custodian's procedures.

The Investment Staff will conduct their responsibilities as fiduciaries. All members of the Investment Staff shall be indemnified and held harmless by the Fund for any reasonable cost or expenses incurred as a result of any actual or threatened litigation or administrative proceeding arising out of the performance of the member's duties in accordance with 40 ILCS 5/1-108.

E. Investment Consultant(s)

The Board shall generally have under contract an investment advisor who is a paid, professional Investment Consultant and who is qualified to provide the Board with investment advice by academic and professional training and experience and is considered an expert in the field of investment and finance.

The Investment Consultant is selected pursuant to the Fund's procurement policy and reports directly to the Board. The Board may elect to retain one or more Investment Consultants that specialize in specific areas of asset consulting. Performance of the Investment Consultant(s) will be subject to periodic review by the Investment Committee. Each Investment Consultant, in its written agreement with the Fund, must agree to abide by all Fund policies including, without limitation, the Fund's procurement and ethics policies. No term of agreement for any Investment Consultant shall exceed five (5) years in duration. Each Investment Consultant shall act as a Fiduciary.

The Investment Consultant's duty is to work with the Board, Investment Committee, Emerging Manager Investment Committee and their respective Chair(s), and Investment Staff in the management of the investment program. This includes regular meetings with the Board to provide an independent perspective on the Fund's goals, structure, performance and Investment Managers. In the course of the Investment Consultant's normal functions, the Investment Consultant will work directly with the Investment Staff to review asset allocations and performance, and make recommendations to the Board, Investment Committee or Emerging Manager Investment Committee, as appropriate.

The Investment Consultant will assist Investment Staff and the Investment Committee with external Investment Manager selection. The Investment Consultant will conduct routine due diligence on the Fund's Investment Managers and will report to the Investment Committee its findings. The Investment Consultant will also promptly inform the Fund and discuss the impact of material changes taking place within any current Investment Manager's organization or investment process. The Investment Consultant shall also provide Investment Staff and the Investment Committee with such research and educational training as may be required from time to time. The Investment Consultant will perform other duties as specified in the agreement with the Fund.

F. Investment Managers

The Board seeks to work with Investment Managers who possess qualifications and capabilities for the management of assets of public retirement funds. In managing assets, Investment Managers shall act as fiduciaries and have the following responsibilities:

- Deciding to buy, sell, or hold individual securities within the guidelines established by this Statement of Investment Policy. All qualified Investment Managers retained by the Board will exercise discretion within the parameters set forth in this Policy for the portfolio(s) they manage on behalf of the Fund, including, without limitation, in accordance with the guidelines set forth in Section VII hereof and the benchmarks set forth in **Addendum A** attached hereto.
- Providing timely written reports to the Board, Investment Staff and the Investment Consultant on at least a quarterly basis detailing performance for the most recent period, net of fees, as well as the current outlook of the equity, fixed income, real estate, debt or other capital markets specific to the Fund's mandate for such Investment Manager; significant changes in the portfolio under their management during the quarter; and the reasons for any significant differences between the performance of their portfolios and the appropriate market indices or other performance benchmarks selected by the Fund and the Investment Managers.
- Execute all investment transactions on behalf of the Fund at the best net price, utilizing such brokers and dealers as they deem appropriate to obtain the best execution capabilities at the lowest cost to the Fund.
- Report to the Fund quarterly on the use of M/W/DBE broker/dealers.
- Perform such other duties specified in the respective Investment Manager agreement between the Investment Manager and the Fund.

Any Investment Manager may request that a change be made to its mandate or the guidelines imposed pursuant thereto. Furthermore, Investment Managers may request temporary exemptions from certain guidelines contained within this Statement of Investment Policy (including limitations on cash), given changes to market or industry conditions. Such requests must be made in writing and provided to Investment Staff and the Investment Consultant and must be approved by the Board or Investment Committee before the Investment Manager may act in accord with the requested changes or modifications.

The Investment Manager shall promptly notify Investment Staff and the Investment Consultant, in writing, if there are any significant changes to the firm, the investment team assigned to the Fund's account, investment process, or if the portfolio fails to comply with this Statement of Investment Policy.

G. Custodian

The Custodian is selected pursuant to the Fund's procurement policy and reports to the Board and Investment Staff. The Custodian(s) will collect income and safe-keep all cash and securities, and will regularly summarize these holdings, along with both their individual and collective performance, for Investment Staff's review. The Custodian will provide data and performance reports to the Investment Staff and the Fund's Investment Consultant at intervals specified by the Fund's written policy or contract with the Custodian. In addition, a bank or trust depository arrangement will be utilized to accept and hold cash flow prior to allocating it to the Investment Managers, and to invest such cash in liquid, interest-bearing instruments. The Board shall determine asset allocation guidelines; in order to maintain these targets, Investment Staff will direct the Custodian to allocate cash and/or securities to the Fund's Investment Managers as necessary. The Custodian may also, at the written direction of the Board, engage in a Securities Lending program.

H. Securities Lending Provider

The Board may utilize a Securities Lending Provider¹ to create income through the lending of some or all assets of the Fund. Any such securities lending program shall be established and conducted in accordance with the guidelines set forth in this Statement of Investment Policy and subject to certain limits on the amount of Fund assets authorized by the Board to be involved in the securities lending program.

In its capacity as lending agent, the Securities Lending Provider is responsible for placing securities on loan, ensuring loans are sufficiently collateralized on a daily basis, determining the credit worthiness of borrowers, monitoring corporate actions and providing for the return of all lent securities to the Fund's appropriate account during the settlement period, in accordance with the terms of its contract with the Fund.

Furthermore, the Securities Lending Provider will also serve as an Investment Manager and act as a fiduciary with respect to collateral re-investment by investing the collateral in a prudent manner, and in accordance with the guidelines established by the Board, so as to preserve principal and to generate interest income. The Securities Lending Provider retained by the Board will exercise discretion within the parameters set forth in the applicable guidelines established on behalf of the Fund (see Addendum A). The Securities Lending Provider will provide reports on a monthly basis to the Fund.

III. Investment Policy

A. Policy for the Selection of Investment Manager and Consultants

The Board has a responsibility to the Fund's participants and beneficiaries to make investments with the objective of obtaining superior total long-term rates of return while

¹ – Securities Lending Provider refers to a lending agent that lends the assets of the Fund held by the Custodian (or other provider under the expressed authority of the Board) to other parties in exchange for collateral.

using acceptable levels of risk and reasonable control of costs through the use of a diversified investment portfolio. The Board engages various Investment Managers to achieve these results and seeks to promote inclusivity in its Investment Manager selection process. The availability of qualified minority and female owned business enterprises and businesses owned by a person with a disability is recognized by the Board. It is the policy of the Board to include qualified minority, female owned business enterprises and businesses owned by a person with a disability in the Fund's Investment Manager selection process and to objectively evaluate all qualified Investment Manager candidates regardless of race, gender or handicap.

Investment Managers will be selected using a competitive proposal process as outlined in the Fund's procurement policy. Exceptions to the competitive process, as set forth in the procurement policy, include (i) sole source procurements, (ii) emergency procurements, and (iii) at the discretion of the Board, contracts that are nonrenewable and one year or less in duration, so long as the contract has a value of less than \$20,000. All exceptions granted under this section will be published on the Fund's web site, shall name the person authorizing the procurement and shall include a brief explanation of the reason for the exception. To the extent the Board already has an existing relationship with an Investment Manager, the Board may increase the amount of an existing mandate without resort to the procurement process. With respect to Emerging Investment Managers within the Manager-of-Emerging Managers portfolio, the Board may also increase an allocation pursuant to established criteria and award the Emerging Investment Manager a direct mandate with the Fund in the form of a graduation.

The Board will evaluate all qualified Investment Manager candidates with emphasis on: demonstrated professional performance; organizational depth; institutional investment management capability; soundness of the Investment Manager's investment philosophy and process; commitment to diversity in its hiring and business practices; and reasonableness of fee structure. Subject to financial and fiduciary prudence, the Board will not impose any unreasonable barriers to prohibit a qualified Investment Manager from doing business with the Fund.

Upon approval by the Board for the hiring of an Investment Manager, an investment management agreement and other related documents shall be executed prior to funding the account. All investment management agreements will be in compliance with the relevant section(s) of the Illinois Pension Code.

The selection process for Investment Consultant(s) shall be conducted in a substantially similar manner to that of the Investment Managers, except that the Fund shall not enter into any agreement with an Investment Consultant that exceeds five (5) years in duration.

The Board will endeavor to use professional consultants that do not use discriminatory practices in the sourcing, qualification and selection of Investment Managers and will require the Investment Consultants used by the Fund to affirm their use of nondiscriminatory practices when recommending Investment Manager candidates to the

Board and/or Investment Committee or Emerging Manager Investment Committee. The Board will also evaluate candidates for their demonstrated commitment to diversity and inclusion in their hiring practices.

B. Quiet Period Policy

The Quiet Period Policy is intended to establish guidelines by which Board and Investment Staff will communicate with prospective Investment Managers and Investment Consultants during a search process.

The objectives of the policy are to ensure that:

- Prospective vendors competing to become employed by the Fund have equal access to information regarding the search parameters;
- Communications related to the selection are consistent and accurate; and
- The process of selecting vendors is transparent, efficient, diligent, and fair.

Quiet Period Policy Guidelines

The following guidelines will be instituted during a search process for an Investment Manager or Investment Consultant:

- (a) A quiet period will commence upon action by the Investment Committee, Emerging Manager Investment Committee or the Board to authorize a search and end once a selection has been made by the Board and accepted by the particular candidate selected.
- (b) Initiation, continuation and conclusion of the quiet period shall be publicly communicated to prevent inadvertent violations.
- (c) All members of the Board and Investment Staff not directly involved in the search process, shall refrain from communicating with candidates regarding any product or service related to the search offered by the candidate throughout the quiet period and shall refrain from accepting meals, travel, hotel, or other value from the candidates.
- (d) Throughout the quiet period, if any Board member is contacted by a candidate, the Board member shall refer the candidate to Fund's Investment Consultant or Investment Staff directly involved in the search process.
- (e) All authority related to the search process shall be exercised solely by the relevant Investment Committee, Emerging Manager Investment Committee or Board as a whole, and not by individual Trustees.
- (f) All information related to the search process shall be communicated by the Fund's Investment Consultant or Investment Staff to the relevant Investment

Committee, Emerging Manager Investment Committee or Board as a whole, and not to individual Board members.

- (g) The quiet period does not prevent Board approved due diligence, client conference attendance or communications with an existing service provider that happens to be a candidate in the ordinary course of services provided by such candidate; however, discussions related to the pending selection shall be avoided during those activities.
- (h) The provisions of this quiet period policy will apply to candidates throughout the quiet period and shall be communicated to candidates in conjunction with any RFP or RFI.
- (i) A candidate may be disqualified from a search process for a knowing violation of this quiet period policy.

C. Investment Manager Evaluation, Compliance and Termination

Evaluation

Investment Staff and Investment Consultant will be responsible for the supervision of the performance, monitoring and reporting of all Investment Managers as part of the general oversight of the investment program. The Board expects to measure investment performance monthly. In addition, updates will be provided to the Board as part of the scheduled reviews, as requested by the Board, its Committees and as deemed necessary by Investment Staff and Investment Consultant. As part of the review process, Investment Managers will meet with the Board, the Investment Committee, Emerging Manager Investment Committee, Investment Staff and the Investment Consultant as so directed.

Compliance

During the course of ongoing reviews, certain events may warrant prompt attention and a more prescribed course of action as recommended to the Investment Committee. In such instances an Investment Manager may be recommended to be put on the Fund's Watch-List. The Watch-List is intended to identify issues relating to the performance, relationship or risk factors that may impact the ability of the manager to meet the Fund's expectations as outlined in this policy or the Investment Manager's investment management agreement. Such issues may include:

- Investment performance
- Change in organizational structure or personnel
- Clients/assets under management
- Changes in investment strategy or process
- Compliance
- Significant change in the active risk profile of the Investment Manager
- Failure to follow brokerage guidelines

- Other regulatory violations.

The following terminology has been developed to facilitate efficient communication between the Investment Managers, the Investment Consultant and the Investment Staff. Each term signifies a particular status with the Fund and any conditions that may require improvement. In each case, communication is made only after consultation with the Board.

STATUS	DESCRIPTION
In Compliance	The Investment Manager states it is acting in accordance with this Policy.
Alert	The Investment Manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a violation of this Policy, a change in investment characteristics, an alteration in management style or key Investment Professionals and/or any other irregularities. The Investment Manager will be completing a monthly compliance checklist from the Investment Consultant to ensure thorough oversight.
On Notice	The Investment Manager is notified of continued concern with one or more Alert issues. Failure to improve upon stated issues within a specific time frame justifies termination. The Investment Manager will be completing a monthly compliance checklist from the Investment Consultant to ensure thorough oversight.
Termination	The Board has decided to terminate the Investment Manager. The Investment Manager is notified and transition plans are in place.

Investment Managers placed on the Watch-List will receive written notification from the Fund informing the Investment Manager of the issue and requesting a written explanation for the violation. The written response from the Investment Manager should include an assessment of the alleged event, an explanation of the cause of the event and what changes will or should be expected to assure that the event will be resolved and/or not occur. A review of Investment Managers placed on the Watch-List by the Board will be conducted on a regular basis.

Once placed on the Watch-List, Investment Staff and Investment Consultant will actively monitor and evaluate the Investment Manager which may include onsite due diligence, regular meetings, and increased reporting and will inform the Investment Committee of all developments.

An Investment Manager may be removed from the Watch-List at any time by the Board if Investment Staff becomes satisfied that the concerns no longer apply and if confidence in future ability to deliver investment performance is restored.

Termination

From time to time, it will be necessary for the Fund to terminate a contractual relationship with an Investment Manager and these actions must be viewed in the context of a fiduciary decision. Due to the sensitivity of this issue, the Board has established the following guidelines to assist in making these termination decisions. In establishing these guidelines, it is the Board's intention to assure all interested parties that decisions made in carrying out these actions occur in a full disclosure environment characterized by objective evaluation and proper documentation. The overriding consideration with respect to all decisions is that they shall be made solely in the best interest of Fund participants and beneficiaries and consistent with other legal requirements.

Any action to terminate an Investment Manager should be based on one or more of the following primary criteria, but not limited to:

- Significant changes in firm ownership and/or structure
- Loss of one or more key personnel
- Significant loss of clients and/or assets under management
- Shifts in the firm's philosophy or process
- Significant and persistent lack of responsiveness to client requests
- Changes in the Fund's investment strategy eliminating the need for a particular style or strategy
- Chronic violations of the Fund's policies or investment guidelines
- Unsatisfactory investment performance
- Identification of a new asset class or approach which has been approved in advance by the Board
- A need for diversification of styles within an existing asset class
- Failure to satisfy legal requirements or other regulatory violations.

The Board considers termination a serious issue and will require proper written documentation of all qualitative and quantitative factors contributing to the recommendation to terminate an Investment Manager.

D. Emerging Investment Manager Program

Consistent with the Fund's long-standing commitment to the utilization of Emerging Investment Managers and in support of public policy as declared in the Illinois Pension Code [40 ILCS 5/1-109.1], the Board seeks to be inclusive of Emerging Investment Managers throughout its investment activities.

The Illinois Pension Code defines the term "emerging investment manager" and declares it to "be the public policy of the State of Illinois to encourage the trustees

of public employee retirement systems to use Investment Managers in managing their system's assets to the greatest extent feasible within the bounds of financial and fiduciary prudence, and to take affirmative steps to remove any barriers to the full participation of Investment Managers in investment opportunities afforded by those retirement systems.”

In support of this policy, the Fund considers it a priority to take affirmative steps to remove barriers to the full participation of Emerging Investment Managers in investment opportunities. The Fund has been a pioneer in this regard and desires to further advance its efforts. The purpose of this policy is to establish a framework for the operational guidelines and procedures in fulfillment of the Emerging Investment Manager program to achieve the following objectives:

Objectives:

- Increase the utilization of Emerging Investment Managers;
- To proactively identify best-in-class Emerging Investment Managers who demonstrate the capacity to become long-term viable partners of the Fund;
- To maintain guidelines and funding strategies that encourage the inclusion and support the development of Emerging Investment Managers; and
- To employ prudent selection processes and practices consistent with the high fiduciary standards for all investment management decisions.

In fulfillment of the Emerging Investment Manager Program, the Board has established target range goals for the utilization of Emerging Investment Managers for the Fund’s asset classes as well as for the utilization of Emerging Investment Managers. These goals are part of the Fund’s long-term strategy consistent with its asset allocation and rebalancing objectives and will be reviewed annually.

Emerging Investment Manager Utilization Goals*

As a % of Asset Class	
Fixed Income	15%-17.5%
Domestic Equity	15%-17.5%
International Equity	5%-10%
Alternatives	5%-10%
As a % of Fund	
Minority	10%-15%
Women	2.5%-5%
Disabled-Owned	0%-1%

* Utilization goals approved at the Nov. 6, 2009 Board meeting.

The Fund recognizes that Emerging Investment Managers can be a critical source of superior performance and desires to promote opportunities for high potential managers throughout various stages of organizational growth and development. The following

designations are intended to represent key stages of development for Emerging Investment Managers to be considered for specific allocations.

STATUS	DESCRIPTION
1 Star	Manager of Interest – Refers to an early stage Emerging Investment Manager. Considered for an indirect allocation through the Manager-of-Emerging Managers program.
2 Star	Developing Manager Mandate - The Emerging Investment Manager may be retained through a search conducted as part of the direct investment process or graduated from the Manager-of-Emerging Managers program. Considered for an initial direct allocation.
3 Star	Proven Manager Mandate – The Emerging Investment Manager has demonstrated a strong growth and performance track record in the direct investment program. Considered for an increased allocation.
4 Star	Established Manager Mandate – The Emerging Investment Manager has demonstrated a strong track record in the direct investment program, has developed an institutional infrastructure and client base, and has increased assets under management greater than \$2 billion. Considered for an increased allocation.

To ensure that the Fund is proactive in its efforts to increase opportunities to the fullest extent feasible, the Fund has established two channels for sourcing and retaining Emerging Investment Managers.

1. Manager-of- Emerging Managers Portfolio

Purpose:

- To expand channels of access for Emerging Investment Managers to the Fund.
- Create opportunities consistent with the Fund’s asset allocation to enhance placements.

Investment Staff works with the Investment Manager-of-Emerging Managers to identify and retain Emerging Investment Managers with the expressed objective of direct placement opportunities with the Fund. The Investment Manager-of-Emerging Managers retains discretion for the selection of managers meeting criteria established mutually by the Investment Staff, the Investment Consultant and approved by the Emerging Manager Investment Committee. Portfolio construction will be determined by the Fund’s asset allocation in accordance with the guidelines and risk parameters established for the portfolio.

Consideration for direct placement from the Manager-of-Emerging Managers portfolio will be based on the Emerging Investment Manager's ability to meet key criteria as established by the Emerging Manager Investment Committee. Such criteria may include ability to meet Fund compliance and contractual requirements, performance track record, growth of institutional platform and business sustainability. Placement will be made according to the needs of the Fund in compliance with its allocation and rebalancing objectives.

2. Direct Mandates

Purpose:

- To continue to identify and utilize best-in-class Emerging Investment Managers to provide enhanced investment returns to the Fund.
- Promote the full participation of Emerging Investment Managers in investment opportunities afforded by the Fund.

The Fund will source candidates for direct mandates utilizing searches as defined by the procurement policy and authorized by the Investment Committee or the Emerging Manager Investment Committee. Further, if an Emerging Investment Manager meets the criteria established by the Board for a specific search then the Emerging Investment Manager shall receive an invitation from the Board to present for final consideration of the contract. In the case where multiple Emerging Investment Managers meet the criteria of the search, the Investment Staff may choose the most qualified firm or firms to present to the Board. Candidates may also be sourced from the Manager of Emerging Managers portfolio according to their ability to meet criteria as stipulated for the mandate.

With the direction of the Emerging Manager Investment Committee, Investment Staff will provide continuous monitoring and evaluation of candidates in the portfolio and make recommendations pursuant to the Emerging Investment Manager designations as appropriate.

E. Broker/Dealer Trading Policy

The Board encourages the use of broker/dealer firms that are Minority, Woman, or Disabled-Owned Businesses.²

The Fund's Investment Managers shall give consideration to certified Minority, Woman, or Disabled-Owned Businesses when executing trades for the Fund with preference to those entities located in the State of Illinois, subject to each Investment Manager being responsible for implementing trading policies that result in the best price and execution of any broker/dealer selected.

In implementing this Broker/Dealer Trading Policy, the Fund has established the following minimum annual goals based on its current asset allocation:

1) Active Domestic Equity Investment Managers:

Subject to best price execution, each Investment Manager shall direct at least one third (33.3 1/3%) of total commission dollars, on an annual basis, to Minority, Woman, or Disabled-Owned Business enterprises, preferably Illinois-based. Step-out-trades will not be counted towards trades with Minority, Woman, or Disabled-Owned Business enterprises.

2) International Equity Investment Managers:

Subject to best price execution, each Investment Manager shall direct at least 10% of total commission dollars, on an annual basis, to Minority, Woman, or Disabled-Owned Business enterprises, preferably Illinois-based. Correspondence arrangements will not be counted towards trades with Minority, Woman, or Disabled-Owned Business enterprises.

3) Fixed Income Investment Managers:

Subject to best price execution, each Investment Manager shall direct 10% of eligible fixed income trading volume (par), on an annual basis, to Minority, Woman, or Disabled-Owned Business enterprises, preferably Illinois-based.

4) Transition Managers:

Subject to best price execution, each Transition Manager shall direct at least 40% of total commission dollars to Minority, Woman, or Disabled-Owned Business enterprises, preferably Illinois-based. Step-out-trades will not be counted towards this goal.

Reporting

All trades must be identified in the Investment Manager's quarterly report to the Board. Investment Managers must identify which brokers utilized are broker/dealers that are Minority, Woman, or Disabled-Owned Businesses and the dollar amount traded with each firm. In addition, the report should detail total shares executed, total trading commissions, and average commission cost per share.

² – As defined in the Business Enterprise for Minorities, Women and Persons with Disabilities Act, 30 ILCS 575/0.01, et seq.

When an Investment Manager cannot meet these goals, the Investment Manager must identify the reasons the goal could not be met within the quarterly report to the Board. Failure by an Investment Manager to meet the goals set forth in this Policy will be considered as a factor when evaluating the Investment Manager's overall performance and relationship with the Fund.

F. Other Board Policies

All third parties involved in the investment of Fund assets including, without limitation, all Investment Managers, Investment Consultants and Custodians, shall agree in writing to abide by the provisions of the Fund's procurement policy and ethics policy, as same may be amended from time to time. The terms and conditions of the Fund's procurement policy and its ethics policy are incorporated into this Statement of Investment Policy as if fully set forth herein. Copies of the Fund's current procurement policy and ethics policy can be obtained on the Fund's website at: www.cookcountypension.com or upon a request made to the Fund.

IV. Illinois Public Policy

A. Sudan Investment Policy

The Government of the United States has determined that Sudan is a nation that sponsors terrorism and genocide. The General Assembly of the State of Illinois has determined that investments in forbidden entities that are owned or operated by the government of Sudan or that do business in the Sudan are inherently and unduly risky, and against public policy. In reliance on these determinations, the Board further finds that investments in companies that do business in Sudan are not in the economic interests of the participants of the Fund. For this reason all Investment Managers are required to:

- (a) subscribe to the Sudan Compliance Service Provider compliance list;
- (b) not purchase any securities on the Sudan Compliance Service Provider Sudan compliance list; and
- (c) report compliance with this Sudan Investment Policy on a quarterly basis.

Any Investment Manager holding securities on the Sudan Compliance Service Provider Compliance List will not be required to sell, but the Investment Manager may not add to that security's position. If an Investment Manager purchases a security that is not on the Sudan Compliance Service Provider Compliance List at the time of purchase and the security is placed on the Sudan Compliance Service Provider Compliance List at a later date, the Investment Manager:

- (a) will not be required to sell the security;
- (b) may not add to that security's position; and

- (c) must notify the Board in writing of the security's change in status with Sudan Compliance Service Provider Compliance List.

Any Investment Manager in violation of this Sudan Investment Policy may be placed on the Watch-List.

B. Contingent Fees

Pursuant to 40 ILCS 5/1-145 of the Illinois Pension Code, contingent and placement fees shall be prohibited.

C. Best Price and Execution

Pursuant to 40 ILCS 5/1-113.20 of the Illinois Pension Code, all Investment Managers shall utilize investment strategies designed to ensure that all securities transactions are executed in such a manner that the total explicit and implicit costs and total proceeds in every transaction are the most favorable under the circumstances.

D. Investments in Illinois Businesses

The General Assembly of the State of Illinois has determined that it is the public policy of the State of Illinois to encourage pension funds to promote the economy of Illinois through the use of economic opportunity investments to the greatest feasible within the bounds of financial and fiduciary prudence. Nothing in this Policy, however, shall be construed to favor the foregoing of investment return in order to provide a subsidy to a particular group to the detriment of the Fund or its participants and beneficiaries.

V. Investment Objectives

A. Return Objectives

The primary return objectives of the Fund are to:

- preserve the safety of principal;
- perform above the Fund's policy benchmark consistent with prudent levels of risk; and
- create a stream of investment returns to ensure the systematic and adequate funding of actuarially determined benefits through contributions and professional management of Fund assets.

To achieve these objectives, the assets of the Fund have been allocated to meet its actuarial assumed rate of return (see **Addendum B**). The performance objective for the Fund is to exceed, after investment management fees, a customized blended benchmark. To evaluate success, the Board will compare the performance of the Fund to the actuarial

assumed rate of return and the performance of a custom benchmark. This benchmark represents a passive implementation of the historical investment policy targets and it is re-balanced regularly.

B. Risk Tolerance

While achieving the return objectives, the Fund is able to tolerate certain levels of risk, which are:

- to accept prudent levels of short-term and long-term volatility consistent with the near-term cash flow needs, funding level, and long-term liability structure of the Fund;
- to tolerate appropriate levels of downside risk relative to the Fund’s actuarial assumed rate of return (see **Addendum B**). In doing so, the Board will attempt to minimize the probability of underperforming the Fund’s actuarial assumed rate of return over the long-term and to minimize the shortfall in the event such underperformance occurs;
- to accept certain variances in the asset allocation structure of the Fund relative to the broad financial markets and peer groups; and
- to tolerate certain levels of short-term underperformance by the Fund’s Investment Managers.

C. Constraints on the Investment Objectives

The investment objectives of the Fund are constrained by applicable law, time, taxes and liquidity. The Fund will operate in accordance with applicable law, as amended. The Fund has a long-term time horizon as the assets are used to pay qualified participant Pension Benefits. The Fund is a tax-exempt entity, but can be subject to taxes involving unrelated business taxable income (“UBTI”). UBTI is income earned by a tax-exempt entity that does not result from tax-exempt activities. The Fund will attempt to minimize or to avoid incurring UBTI. The liquidity needs of the Fund are to meet the regular cash flow requirements of the Fund.

VI. Asset Allocation and Rebalancing Procedures

A. General Methods and Frequency of Evaluating the Asset Allocation

The Board will review the target asset allocation of the Fund at least once every three years. It will take into consideration applicable statutes, the actuarial rate of return of the Fund, the long-term nature of the asset pool, the cash flow needs of the Fund and the general asset allocation structure of their peers. It will make assumptions on the capital markets over the long-term and optimize the asset allocation to best meet the actuarial and cash flow needs of the Fund at prudent levels of risk.

B. Asset Allocation/Rebalancing

The Board has established the target asset allocation and permissible percentage ranges shown in the table set forth below:

Asset Class	Target*	Minimum**	Maximum**
Intermediate Bonds	10.0%	0.0%	10.0%
Core Bonds	10.0%	5.0%	20.0%
Core Plus Bonds	5.0%	0.0%	10.0%
TIPS	5.0%	0.0%	10.0%
Senior Secured Loans	<u>5.0%</u>	0.0%	10.0%
Total Fixed Income	<u>35.0%</u>	30.0%	40.0%
Real Estate	<u>5.0%</u>	0.0%	10.0%
Large-Cap Core Equity	9.0%	4.0%	14.0%
Large-Cap Value Equity	6.0%	1.0%	11.0%
Large-Cap Growth Equity	6.0%	1.0%	11.0%
Mid-Cap Value Equity	0.0%	0.0%	2.0%
Mid-Cap Growth Equity	7.0%	2.0%	12.0%
Small-Cap Value Equity	<u>7.0%</u>	2.0%	12.0%
Total U.S. Equity	<u>35.0%</u>	30.0%	45.0%
Large-Cap Non-U.S. Equity	12.0%	7.0%	17.0%
Small-Cap Non-U.S. Equity	<u>3.0%</u>	0.0%	8.0%
Total Non-U.S. Equity	<u>15.0%</u>	10.0%	20.0%
Hedge Fund-of-Funds	5.0%	5.0%	10.0%
Private Equity	<u>5.0%</u>	5.0%	10.0%
Total Alternatives	<u>10.0%</u>	5.0%	15.0%
Total Cash	<u>0.0%</u>	0.0%	5.0%
TOTAL	<u>100.0%</u>		

* Revised asset allocation approved at May 20, 2009 Board Meeting.

** May not equal 100%.

The Board establishes the asset allocation targets and ranges and reviews them periodically. To ensure that the allocations meet the risk/return objectives of the Fund, the target allocations will be reviewed annually for reasonableness relative to significant economic market changes or changes to the long-term goals and objectives. Proper implementation of this guideline may require that a periodic adjustment or rebalancing be made to ensure conformance with asset allocation targets. Rebalancing requirements shall be reviewed on a continual basis. Rebalancing may also occur in the event of a change in the allocation percentages of asset class by the Board or subject to extraordinary market events. Rebalancing shall take place as soon as practical after said change or amendment has been approved.

VII. Investment Guidelines

A. Investment Policy Guidelines for the Separately-Managed, Investment Grade Fixed Income Manager(s)

The following guidelines and restrictions apply to the separately-managed, investment grade fixed income Investment Manager(s) of the Fund (see Addendum A).

1. No single security shall comprise more than 10% of the portfolio's overall allocation after accounting for price appreciation, except for any U.S. Treasury or U.S. agency security, which may comprise no more than 15% of the portfolio's overall allocation after accounting for price appreciation.
2. No securities with a credit rating below BBB- by Standard & Poor's, Baa3 by Moody's, or BBB- by Fitch may be purchased. In the case of a split rating, the higher rating shall apply. Securities which are downgraded below the policy minimum may be held at the Investment Manager's discretion for up to six months. The Investment Manager must notify the Board and Investment Staff of these securities in the quarterly reports. The manager may purchase non-rated securities if they are deemed to be investment grade by the Investment Manager.
3. The average quality of the overall portfolio should be no less than A- rated by two out of the three following credit agencies: Moody's, Standard & Poor's and Fitch. The Investment Manager shall notify the Investment Staff and the Investment Consultant promptly if the average portfolio quality falls below A-.
4. Non-U.S. dollar securities, derivatives, options, financial futures, private placements, or venture capital may not be purchased. There is no limit on Yankee Bonds.
5. The aggregate position in all Rule 144A securities shall comprise no more than 20% of the portfolio's market value. Preference shares and hybrid capital securities of any type are limited to 15% of the market value of the portfolio.
6. The average duration of the portfolio is not to vary more than +/-30% of the duration of the appropriate benchmark index (see Addendum A).
7. The Investment Manager may hold up to 5% of its portfolio in a money market and/or cash. The only exception to this rule is during trading activity, which can only be maintained for short time periods, i.e. less than 60 days. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline for a longer period of time, the Investment Manager must notify Investment Staff promptly and in writing. Failure to do so may trigger immediate compliance action.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

B. Investment Policy Guidelines for the Separately-Managed, Treasury Inflation-Protected Securities ("TIPS") Fixed Income Manager(s)

The following guidelines and restrictions apply to the separately-managed, TIPS fixed income Investment Manager(s) of the Fund (see Addendum A).

1. Only TIPS may be purchased.
2. No single security shall comprise more than 15% of the portfolio's overall allocation after accounting for price appreciation.
3. Non-U.S. dollar securities, derivatives, options, financial futures, private placements, or venture capital may not be purchased.
4. The average duration of the portfolio is not to vary more than +/-30% of the duration of the appropriate benchmark index (see Addendum A).
5. The Investment Manager may hold up to 5% of its portfolio in a money market and/or cash. The only exception to this rule is during trading activity, which can only be maintained for short time periods, i.e. less than 60 days. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline for a longer period of time, the Investment Manager must notify Investment Staff promptly and in writing. Failure to do so may trigger immediate compliance action.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should match the return of the appropriate benchmark index (see Addendum A).

C. Investment Policy Guidelines for the Separately-Managed, Senior Secured Loan Manager(s)

The following guidelines and restrictions apply to the separately-managed, senior secured loan Investment Manager(s) of the Fund (see Addendum A).

1. Investments will be primarily in senior secured bank loans, including revolving loans, delayed draw loans, second-lien loans and DIP facilities ("Senior Secured Loans"). Manager may also purchase other secured and unsecured bank-debt type investments as appropriate given the investment objectives.

2. No single security shall comprise more than 10% of the portfolio's overall allocation after accounting for price appreciation.
3. The Investment Manager shall seek to maintain an average quality of the overall portfolio of at least B+/B1 as rated by S&P and Moody's, as tested by the Investment Manager quarterly. The Investment Manager shall notify the Investment Staff and the Investment Consultant promptly if the average portfolio quality falls below B+/B1.
4. Second-lien loans shall comprise no more than 15% of the portfolio. In addition, third-lien and unsecured assets shall comprise no more than 5% of the portfolio.
5. Unrated investments shall comprise no more than 5% of the portfolio. The maximum investment in loans rated below B3 by Moody's, below B- by S&P, or that are unrated is 15% of the portfolio.
6. Manager should seek to maintain a weighted average spread of at least 150 basis points for the portfolio, as tested by the Investment Manager quarterly. The Investment Manager shall notify the Investment Staff and the Investment Consultant promptly if the weighted average spread falls below this level.
7. No investments shall be made in securities that are not traded on an U.S. exchange or traded in U.S. dollars.
8. The Investment Manager may hold up to 5% of its portfolio in a money market and/or cash. The only exception to this rule is during trading activity, which can only be maintained for short time periods, i.e. less than 60 days. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline for a longer period of time, the Investment Manager must notify Investment Staff promptly and in writing. Failure to do so may trigger immediate compliance action.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

D. Investment Policy Guidelines for the Separately-Managed, Core Plus Fixed Income Manager(s)

The following guidelines and restrictions apply to the separately-managed, core plus fixed income Investment Manager(s) of the Fund (see Addendum A).

1. No single security shall comprise more than 5% of the portfolio's overall allocation after accounting for price appreciation, except for any U.S. Treasury or

U.S. agency security, which may comprise no more than 10% of the portfolio's overall allocation after accounting for price appreciation.

2. Up to 30% of the market value of the portfolio may be invested in securities with a credit rating below investment grade. A security shall be constituted below investment grade if it is rated by any one of the following credit agencies below the following: BBB- by Standard & Poor's, Baa3 by Moody's, or BBB- by Fitch may be purchased.
3. The average quality of the overall portfolio should be no less than B+ rated by two out of the three following credit agencies: Moody's, Standard & Poor's, and Fitch. The Investment Manager shall notify the Investment Staff and the Investment Consultant promptly if the average portfolio quality falls below B+.
4. Up to 25% of the market value of the portfolio may be invested in Non-U.S. dollar securities.
5. Emerging market debt (defined using the World Bank definition, which is based on GNP per capita) is limited to 10% of portfolio market value.
6. The aggregate position in all Rule 144A securities shall comprise no more than 20% of the portfolio's market value. Preference shares and hybrid capital securities of any type are limited to 15% of the market value of the portfolio.
7. The average duration of the portfolio is not to vary more than +/-30% of the duration of the appropriate benchmark index (see Addendum A).
8. The Investment Manager may hold up to 5% of its portfolio in a money market and/or cash. The only exception to this rule is during trading activity, which can only be maintained for short time periods, i.e. less than 60 days. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline for a longer period of time, the Investment Manager must notify Investment Staff promptly and in writing. Failure to do so may trigger immediate compliance action.
9. The Investment Manager has the ability to invest in up to 30% in out of benchmark sectors, not to exceed the limits as specified above.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

E. Investment Policy Guidelines for the Fixed Income Commingled Fund(s)

The following guidelines and restrictions apply to the Investment Manager of the fixed income commingled fund(s) of the Fund (see Addendum A).

1. This fund is governed by the guidelines and restrictions contained in its participation agreement.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

F. Policy Guidelines for the Investment Manager-of-Emerging Managers

The Fund retains the Investment Manager-of-Emerging Managers to construct a best-in-class portfolio of Emerging Investment Managers according to the asset class designations defined by the Fund.

1. The Investment Manager-of-Emerging Managers shall retain Emerging Investment Managers meeting criteria established by the Fund consistent with the Fund's expressed objectives to enhance the Emerging Investment Manager Program.
2. All Emerging Investment Managers retained by the Investment Manager-of-Emerging Managers will be allocated between \$10 million and \$15 million. For an Emerging Investment Manager with less than \$100 million in Assets Under Management (AUM) at the time of funding, the Fund may request additional documentation from the Investment Manager-of-Emerging Managers for further consideration and approval.
3. All Emerging Investment Managers retained must demonstrate the intention to develop an institutional client base.
4. All Emerging Investment Managers retained must maintain at least \$1 million of liability insurance secured and in effect by the time of funding.
5. All Emerging Investment Managers must acknowledge in writing that it will comply with the Investment Policy and comply with their appropriate investment guidelines contained within the program policy guidelines and their individual strategy guidelines.
6. All Emerging Investment Managers must be certified as a minority, woman or disabled-owned Investment Manager as required by the Investment Policy. Failure to maintain such certification may be grounds for termination.

7. The Investment Manager-of-Emerging Managers may not retain an Emerging Investment Manager that is currently managing assets for the Fund.

Investment Objectives for the Investment Manager-of-Emerging Managers:

1. For comparative purposes, the net of fees performance of the Investment Manager-of-Emerging Managers portfolio must, over reasonable measurement periods (3 to 5 years), exceed the return of a custom benchmark consisting of the appropriate asset class benchmark weighted in accord with below target allocation on a risk adjusted basis.
2. The portfolio shall be broadly diversified across markets, sectors and securities in a manner that is consistent with accepted standards of prudence in accordance with the following asset allocation:

Asset Class	Target
Intermediate Bonds	10.0%
Core Bonds	<u>15.0%</u>
Total Fixed Income	<u>25.0%</u>
Large-Cap Core Equity	10.0%
Large-Cap Value Equity	10.0%
Large-Cap Growth Equity	10.0%
Mid-Cap Growth Equity	10.0%
Small-Cap Value Equity	<u>10.0%</u>
Total U.S. Equity	<u>50.0%</u>
Large-Cap Non-U.S. Equity	20.0%
Small-Cap Non-U.S. Equity	<u>5.0%</u>
Total Non-U.S. Equity	<u>25.0%</u>
TOTAL	<u>100.0%</u>

G. Investment Policy Guidelines for the Real Estate Commingled Fund(s)

The following guidelines and restrictions apply to the real estate Manager(s) or Investment Manager(s) of the Fund (see Addendum A).

1. This fund is governed by the guidelines and restrictions contained in its prospectus or participations agreement.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

H. Investment Policy Guidelines for the Separately-Managed, U.S. Equity Manager(s)

The following guidelines and restrictions apply to the separately-managed U.S. equity Investment Manager(s) of the Fund (see Addendum A).

1. No single security shall comprise more than 10% of the portfolio's overall allocation after accounting for price appreciation.
2. Options, financial futures, private placements, restricted stock, issues related to the Investment Manager, or venture capital may not be purchased. The purchase of securities on margin and short selling is prohibited.
3. No investments shall be made in securities that are not traded on an U.S. exchange or traded in U.S. dollars.
4. The combined holdings of preferred stocks and convertible bonds shall not exceed 10% of the portfolio.
5. Exchange-traded funds are permissible investments. No single security in the manager's portfolio, including Exchange Traded Funds, shall comprise more than 10% of the portfolio at market.
6. Investments in Rule 144a securities may not exceed 10% of the portfolio's overall asset allocation.
7. At no point in time shall the portfolio hold a security in which the Investment Manager's firm has an aggregate position in the security that exceeds 15% of the fair market value of the outstanding stock of the company.
8. The Investment Manager may hold up to 5% of its portfolio in a money market and/or cash. The only exception to this rule is during trading activity, which can only be maintained for short time periods, i.e. less than 60 days. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline for a longer period of time, the Investment Manager must notify Investment Staff promptly and in writing. Failure to do so may trigger immediate compliance action.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

I. Investment Policy Guidelines for the U.S. and Non-U.S. Equity Commingled Fund(s)

The following guidelines and restrictions apply to the Investment Manager of the U.S. and Non-U.S. equity commingled fund(s) of the Fund (see Addendum A).

1. This fund is governed by the guidelines and restrictions contained in its participation agreement.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

J. Investment Policy Guidelines for the Separately-Managed, Non-U.S. Equity Manager(s)

The following guidelines and restrictions apply to the separately-managed Non-U.S. equity Investment Manager(s) of the Fund (see Addendum A).

1. No single security shall comprise more than 10% of the portfolio's overall allocation after accounting for price appreciation.
2. Private placements, restricted stock, issues related to the Investment Manager, or venture capital may not be purchased. The purchase of securities on margin and short selling is prohibited.
3. The combined holdings of preferred stocks and convertible bonds shall not exceed 10% of the portfolio.
4. Exchange-traded funds are permissible investments. No single security in the manager's portfolio, including Exchange Traded Funds, shall comprise more than 10% of the portfolio at market.
5. At no point in time shall the portfolio hold a security in which the Investment Manager's firm has an aggregate position in the security that exceeds 15% of the fair market value of the outstanding stock of the company.
6. Financial futures are allowed for hedging purposes only. They are not allowed for speculation or for leveraging the portfolio.
7. Exposure to emerging markets shall be limited to 25% of the portfolio for non-U.S. Large-Cap Investment Managers and to 30% of the portfolio for non-U.S. Small-Cap Investment Managers.

8. The Investment Manager may hold up to 5% of its portfolio in a money market and/or cash. The only exception to this rule is during trading activity, which can only be maintained for short time periods, i.e. less than 60 days. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline for a longer period of time, the Investment Manager must notify Investment Staff promptly and in writing. Failure to do so may trigger immediate compliance action.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

K. Investment Policy Guidelines for the Private Equity Manager(s)

The following guidelines and restrictions apply to the private equity Manager(s) of the Fund (see Addendum A).

1. This fund is governed by the guidelines and restrictions contained in its prospectus or participations agreement.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

L. Investment Policy Guidelines for the Hedge Fund-of-Funds Manager(s)

The following guidelines and restrictions apply to the hedge fund-of-funds Investment Manager(s) of the Fund (see Addendum A).

1. This fund is governed by the guidelines and restrictions contained in its prospectus or participations agreement.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

M. Investment and Lending Policy Guidelines for the Security Lending Provider

This document contains the guidelines and restrictions that apply to the Securities Lending Provider(s) of the Fund (see Addendum A).

1. The Securities Lending Provider shall only lend securities within the lending cap established by the Board in writing for securities on loan.
2. The Securities Lending Provider shall review the credit-worthiness and default risk of borrowers. Borrowers as approved by the Securities Lending Provider shall also be approved by the Board.
3. The Securities Lending Provider shall not enter into any loan of Fund assets that exceeds one year and all loan agreements shall specify earlier termination by either party upon mutually agreed conditions.
4. All security loans shall be collateralized by cash, irrevocable letters-of-credit or securities. The amount of collateral, subject to de minimus rules for U.S. Securities must be equal to at least 102% of the loaned securities market value, marked to market and all interest accrued through the date of such market value determination. For non-U.S. securities, the amount of the collateral must be equal to at least 105% of the loaned securities market value and all interest accrued through the date of such market value determination, marked to market.
5. The Securities Lending Provider shall invest the collateral resulting from lending activity in a separate account in accordance with the Investment Restrictions and Guidelines established under Rule 2a-7 of the Investment Company Act of 1940.
6. The Securities Lending Provider shall use amortized cost for purposes of calculating a net asset value (“NAV”).
7. The Securities Lending Provider may not purchase any individual instrument with a remaining maturity of greater than 397 calendar days and must maintain a dollar-weighted average portfolio maturity of 90 days or less. For purposes of calculating portfolio average maturity, adjustable / floating / variable rate securities are generally deemed to have a maturity equal to the next readjustment date of the interest rate, provided that the security’s value may reasonably be expected to approximate its amortized cost upon readjustment. Securities with demand features (such as a put feature) may be considered to have a maturity date equal to the longer of the next readjustment date or the date upon which the holder of the security can sell the security at an exercise price equal to the approximate amortized cost of the security plus accrued interest, provided that the demand feature must be exercisable on no more than 30 days calendar notice.
8. The Securities Lending Provider may purchase only securities that present minimal credit risks, as determined by both the security rating and independent analysis. For rated securities, the security (or securities of the same issuer with comparable priority and security) must have received a short-term rating within the highest short-term category for debt obligations of any nationally recognized statistical rating organization (“NRSRO”).

9. No single issuer should comprise more than 5% of the portfolio's overall allocation after accounting for price appreciation, except for any U.S. Treasury or U.S. agency security. For purposes of determining issuer diversification, repurchase agreements are deemed to be issued by the underlying collateral.

Investment Objective

On a daily basis, the Securities Lending Provider should strive to invest the collateral so that it will provide sufficient yield that will exceed the aggregate rebate rate owed to the borrowers of the securities on loan.

VIII. Policy Modification and Revision

This Statement of Investment Policy may be amended from time to time by a majority vote of the Board. Recommendations for changes to the Investment Policy should be directed to the Chief Investment Officer. The Chief Investment Officer shall review all such recommendations in consultation with the Investment Consultant and Investment Managers as warranted and submit same to the Board for its consideration with a written staff recommendation for action.

IX. Definition of Terms

Section and Article References.

Unless the context otherwise provides, any statutory section or article reference used in this Statement of Investment Policy shall be deemed to refer to a section or article, as applicable, of the Illinois Pension Code (hereinafter defined).

A. "Cook County Fund" Defined

In this Policy, the "Cook County Fund" refers to the County Employees' and Officers' Annuity and Benefit Fund of Cook County created, set apart, maintained and administered, in the manner prescribed in Article 9 [40 ILCS 5/9-101 et. seq.] (see **Addendum B**).

B. "Board" and "Trustees" Defined

In this Policy, the terms "Board" and "Trustees" interchangeably refer to the nine members appointed or elected to administer the Fund pursuant to the Illinois Pension Code. All members of the Board are fiduciaries to the Fund. The members of the Board of the Fund also serve as the Board for the Forest Preserve District Fund and consist of: (a) two members that are appointed; (b) three elected members that are employees of Cook County; (c) one elected member that is an employee of the Forest Preserve District; (d) one elected member that is an annuitant of the Forest Preserve District Fund; and (e) two elected members that are annuitants of the Cook County Fund.

C. “Custodian” Defined

In this Policy, “Custodian” refers to any third party firm which safe-keeps the assets of the Fund.

D. “Emerging Investment Manager” Defined

In this Policy, “Emerging Investment Manager” shall have the meaning given such term in Section 1-109.1(4) [40 ILCS 5/1-109.1(4)]. An Emerging Investment Manager shall mean a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a “minority owned business”, “female owned business” or “business owned by a person with a disability” as those terms are defined in the Business Enterprise for Minorities, Females and Persons with Disabilities Act (30 ILCS 575/).

E. “Emerging Manager Investment Committee” Defined

In this Policy, the “Emerging Manager Investment Committee” refers to the five member committee of the Board, whose members are approved by the Board.

F. “Fiduciary” Defined

In this Policy, “Fiduciary” shall have the meaning given such term in Section 1-101.2 [40 ILCS 5/1-101.2].

G. “Forest Preserve District Fund” Defined

In this Policy, “Forest Preserve District Fund” refers to the Forest Preserve District Employees’ Annuity and Benefit Fund of Cook County created, set apart, maintained and administered, in the manner prescribed in Articles 9 [40 ILCS 5/9-101 et seq.] and 10 [40 ILCS 5/10-101 et. seq.].

H. “Fund” Defined

In this Policy, “Fund” shall refer collectively to the Cook County Fund and the Forest Preserve District Fund.

I. “Investment Staff” Defined

In this Policy, “Investment Staff” refers to personnel employed by the Fund who are so designated by the Board, including without limitation, the Executive Director, the Chief Investment Officer and internal Investment Staff of the Fund.

J. “Illinois Pension Code” Defined

In this Policy, the “Illinois Pension Code” refers to the Illinois statute described in 40 ILCS Chapter 5, as amended from time to time.

K. “Investment Committee” Defined

In this Policy, the “Investment Committee” refers to a committee of the whole of the Board.

L. “Investment Consultant” Defined

In this Policy, “Investment Consultant” refers to any person or firm retained or employed by the Board that provides investment advisory services, including advice on investment objectives and/or asset allocation, manager searches and performance monitoring, as a Fiduciary, to the Board.

M. “Investment Manager” Defined

In this Policy, “Investment Manager” shall have the meaning given such term and interchangeably given the terms “investment adviser” and “investment advisor”, in Section 1-101.4 [40 ILCS 5/1-101.4]. An Investment Manager is any firm, fund, or individual that analyzes, selects and executes the purchase or sale of individual securities on behalf of the Cook County Fund and/or the Forest Preserve District Fund. All Investment Managers shall confirm in writing their status as fiduciaries to the Funds.

N. “Investment Professionals” Defined

In this Policy, the “Investment Professionals” refers to Investment Managers, the Investment Consultant(s), the Custodian and the Securities Lending Provider.

O. “Minority, Woman, or Disabled-Owned Business” Defined

In this Policy, a “Minority, Woman, or Disabled-Owned Business” shall have the meaning given such term in the Business Enterprise for Minorities, Females and Persons with Disabilities Act (30 ILCS 575/), as amended. The term is defined as a sole proprietorship, partnership, or corporation owned, operated and controlled by minority, female or disabled group members, as applicable, who have at least 51% ownership and the management and daily business operations of which are controlled by one of more of the minorities, women or persons with a disability, as applicable, that own the entity.

P. “Securities Lending Provider” Defined

In this Policy, “Securities Lending Provider” refers to any third party firm that lends the assets of the Fund to other parties in exchange for collateral and interest.

Q. “Sudan Compliance Service Provider” Defined

In this Policy, “Sudan Compliance Service Provider” refers to any third party firm that identifies companies conducting business in Sudan and that meet the guidelines of Section 1-110.6[40 ILCS 5/1-110.6].

Addendum A – Asset Classes, Investment Professionals and Benchmark Indexes

Updated as of: August 10, 2011

<u>Asset Class</u>	<u>Investment Manager</u>	<u>Benchmark Index</u>
Intermediate Bonds	LM Capital Group LLC	BarCap Int. Govt./Credit Index
	Chicago Equity Partners	BarCap Int. Govt./Credit Index
Core Bonds	BNY Mellon CIS	BarCap Aggregate Index
	NCM Capital Management	BarCap Aggregate Index
	Great Lakes Advisors	BarCap Aggregate Index
	Morgan Stanley	BarCap Aggregate Index
Core Plus Bonds	Amalgamated/Goldman Sachs	BarCap Aggregate Index
TIPS	State Street Global Advisors	BarCap TIPS Index
Real Estate - Core	American Realty Advisors	NCREIF Index
	TIAA-CREF	NCREIF Index
Real Estate – Core Plus	Cozad Premiere Partners II	NCREIF Index
	Capri Capital Advisors Apartment III	NCREIF Index
	John Buck Opportunities III	NCREIF Index
Real Estate – Value Added	TBD	NCREIF Index
Real Estate – Mezzanine	Capri Select Income II	NCREIF Index
Large-Cap Core U.S. Equity	RhumbLine Advisers	S&P 500
	NCM Capital Management	S&P 500
	ROBECO – Weiss Peck & Greer	S&P 500
	Killian Asset Management	S&P 500
Large-Cap Value Equity	RhumbLine Advisers	Russell 1000 Value
	Great Lakes Advisors	Russell 1000 Value
	Fiduciary Management Associates	Russell 1000 Value
	Herndon Capital	Russell 1000 Value
Large-Cap Growth Equity	RhumbLine Advisers	Russell 1000 Growth
	Optimum Investment Advisors	Russell 1000 Growth
	Fortaleza Asset Management Inc.	Russell 1000 Growth
Mid-Cap Growth Equity	William Blair & Co., LLC	Russell Mid-Cap
	Frontier Capital Management	Russell Mid-Cap
Mid-Cap Value Equity	Channing Capital Management	Russell Mid-Cap Value
Small-Cap Value Equity	RhumbLine Advisers	Russell 2000 Value
	Fiduciary Management Associates	Russell 2000 Value
	Mesirow Financial Investment Mgmt	Russell 2000 Value
	Channing Capital Management	Russell 2000 Value
Non-U.S. Equity Large-Cap	J. P. Morgan Asset Management	MSCI EAFE
	Lazard Asset Management LLC	MSCI ACWI ex. US
	State Street Global Advisors	MSCI ACWI ex. US
	Thornburg Investment Management	MSCI ACWI ex. US
Non-U.S. Equity Small-Cap	Franklin Templeton Institutional	S&P Global ex. US <\$2 Bil
	Mondrian Investment Partners Ltd.	S&P Global ex. US <\$2 Bil
Private Equity – Venture Capital	Weiss Peck Greer IV	Venture Econ. All Private Equity
	Weiss Peck Greer V	Venture Econ. All Private Equity
	Pacific Venture Group	Venture Econ. All Private Equity

	Lightspeed VI	Venture Econ. All Private Equity
	ARCH Capital V	Venture Econ. All Private Equity
	Trident V	Venture Econ. All Private Equity
	Mesirow VIII	Venture Econ. All Private Equity
	Evergreen III	Venture Econ. All Private Equity
	Discovery Ventures	Venture Econ. All Private Equity
	Evergreen IV	Venture Econ. All Private Equity
Private Equity – LBO	SB Partners	Venture Econ. All Private Equity
	Frontenac Fund VIII	Venture Econ. All Private Equity
	Evercore Fund II	Venture Econ. All Private Equity
	Wind Point V	Venture Econ. All Private Equity
Private Equity – Mezzanine	Midwest Mezzanine Fund III	Venture Econ. All Private Equity
Private Equity – Fund-of-Funds	DLJ II	Venture Econ. All Private Equity
	Mesirow Fund II	Venture Econ. All Private Equity
	Illinois Private Equity Fund-of-Funds	Venture Econ. All Private Equity
	SPC Capital	Venture Econ. All Private Equity
Hedge Fund – Fund-of-Funds	TBD	TBD
Other – Multi-Strategy	Progress Investment Management	Custom Benchmark

Investment Professional

Custodian
Investment Consultant
Securities Lending Provider
Sudan Compliance Service Provider
Investment Manager-of-Managers
Transition Managers

Service Provider

BNY Mellon Asset Servicing
Callan Associates Inc.
BNY Mellon Asset Servicing
KLD Research & Analytics, Inc.
Progress Investment Management
State Street Bank and Trust Company
Mellon Transition Management
Northern Trust Global Advisors
Citibank NA
Russell Investments

Addendum B – Summary of Plan Information

Plan Name:	<u>County Employees' and Officers' Annuity and Benefit Fund of Cook County</u>
Type of Plan:	<u>Defined Benefit</u>
Plan Adoption Date:	<u>January 1, 1926</u>
Plan Year-End Date:	<u>December 31</u>
Plan Number:	<u>001</u>
Tax Identification Number:	<u>36-6002302</u>
Assumed Actuarial Rate of Return:	<u>7.5%</u>

Addendum C – Investment Professional Adoption of Statement of
Investment Policy

Investment Professional’s Acknowledgments and Agreements:

The undersigned Investment Professional, together with its officers, directors, equityholders, employees, agents and other representatives (collectively, the “Undersigned”), hereby acknowledges and agrees as follows: (a) the Undersigned has received and studied a full and complete copy of this Policy; (b) the Undersigned hereby adopts this Policy and agrees that the Undersigned can and will both (i) abide by this Policy’s restrictions and (ii) fulfill this Policy’s goals and expectations over the timetables set forth in this Policy; and, (c) Addendum C to this Policy has been duly executed by the Undersigned or, as applicable, its duly authorized representative.

(type full legal name of Investment Professional on above line)

BY: _____
(sign on above line)

Name: _____
(type name of signatory on above line)

Title: _____
(type title of signatory on above line)

DATE: _____

Addendum D – Proxy Voting Guidelines

As of December 3, 2009, the Board has not adopted any proxy voting guidelines. Should the Board adopt proxy voting guidelines such guidelines will be incorporated into the Statement of Investment Policy by attachment thereto in this Addendum D.