Forest Preserve District Employees' Annuity and Benefit Fund of Cook County

INVESTMENT POLICY STATEMENT

August 2018

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I. Introduction

The Forest Preserve District Employees' Annuity and Benefit Fund of Cook County (Fund) is a statutorily created public defined benefit plan. The Fund was established on July 1, 1931 and is governed by the Illinois Pension Code [40 ILCS 5] (Code). The Fund was designed to provide retirement, death and disability benefits for the Forest Preserve District employees and their surviving spouses, children and certain other dependents.

II. Purpose of this Investment Policy Statement

Under the guidance and direction of the Board of Trustees 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.

The purpose of this Investment Policy Statement 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 IPS is intended to serve as a guide, a reference tool and a communications link between the Board, Investment Staff and its Investment Professionals. This IPS will also be reviewed periodically and may be modified from time to time.

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, 9 and 10 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 Investment Policy Statement (IPS) 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

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

III. Investment Objectives

The Fund's assets will invested for the sole interest of the participants and beneficiaries of the Fund and in accordance with the following objectives:

- Ensure that the current and future obligations of the Fund are met when due
- Ensure the assets of the Fund are invested with the care, skill, and diligence that a prudent person acting in a like capacity would undertake
- Ensure the assets of the Fund are invested in a manner that minimizes and controls the costs incurred in administering and managing the assets
- Diversify the investment of the assets to minimize the risk of large losses
- Attain the actuarial assumed annual rate of return over a long term time horizon
- Exceed an asset policy weighted composite benchmark (Policy Target) over a market cycle of 5 to 10 years

IV. Roles and Responsibilities

A. Board of Trustees

The Board is a nine-member governing body comprised of representatives of the Fund's stakeholder groups as follows:

- Seven elected members
  - One Forest Preserve District employee
  - One Forest Preserve District annuitant
  - Three Cook County employees
  - Two Cook County annuitants
- Two appointed Trustees
  - Cook County Comptroller
  - Cook County Treasurer (or designees).

The Board is the sole fiduciary and responsible for the oversight of all aspects of the Fund's operations, including benefits administration and the investment of the assets. As a fiduciary, the Board will discharge its duties in the sole interest of the participants and beneficiaries of the Fund. Specifically, the Board is responsible for:

- Establishing, reviewing, and maintaining policies and objectives for all aspects of the Fund's investment operations
- Overseeing the prudent investment of the Fund's investment portfolio and strategic allocation of Fund assets among approved asset classes
- Complying with applicable statutes in all aspects of the Fund's investment program, including procurement, utilization of Emerging Investment Managers, and periodic reporting
- Ensuring that all reporting requirements mandated by the Code are complied with in a timely manner

The Board may take action upon recommendations that come from its Investment Committee and Emerging Manager Investment Sub-Committee.

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 (IC), which is a committee of the whole. The IC reviews and makes recommendations of investment related policies to the Board for approval. The IC works with advisers, Investment Staff, and investment consultants to implement all Board approved investment policies, evaluate investment performance and comply with the IPS.

Specifically, the IC is responsible for making recommendations for Board approval on the following:

- Asset allocation policy: determines the asset classes for investment and establishes the target allocation to each asset class consistent with return expectations and risk tolerance
- Rebalancing and liquidity policy: establishes the process employed to maintain the actual asset allocation at or near the stated policy targets and address the Fund's liquidity needs
- Investment manager structure policy: approves the number and types of investment managers that are appropriate and the allocation to each manager
- Investment manager selection: authorizes investment management searches and approves candidates for due diligence and finalists for presentations to the IC
- Investment manager guidelines: approves the benchmark and risk parameters for each individual manager consistent with the overall risk level set for the Fund
- Investment manager performance: reviews the performance of investment managers and approves changes based on periodic evaluation
- Retention of outside service providers such as: Trustee/Custodian, investment consultant(s), investment managers, security lending provider and transition management
- Investment expenses: reviews expenses for investment management, Trustee/Custodian, investment consultant(s), and investment staff budget

C. Emerging Manager Sub-Investment Committee

The Emerging Manager Sub-Investment Committee ("EMIC") is appointed by the Investment Committee and consists of no less than five (5) Trustees. The goal of the EMIC is to develop, maintain and evaluate an emerging manager and Minority, Woman or Disabled-owned Business (MWDO) investment program and recommend policies to the Investment Committee that proactively encourage the utilization of MWDO investment managers and broker/dealers consistent with the Fund's investment strategy and in accordance to the Code.

Specifically, the EMIC is responsible for making recommendations for Investment Committee approval on the following:

- Evaluate and recommend investment policies and goals for the utilization of Emerging Investment Managers and MWDO broker/dealers consistent with the Fund's broader investment strategy
- Monitor progress toward achieving these goals and evaluate them on an annual basis
- Recommend searches for Emerging Investment Managers as needed to fulfill utilization goals
- Provide direction for the Emerging Investment Manager program and 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
- Provide oversight for the Manager-of-Emerging Managers program and the Investment Manager
- Recommend graduation candidates for consideration for direct placement with the Fund from the Manager-of-Emerging Managers program

D. Investment Staff

The Executive Director (ED) and Chief Investment Officer (CIO) are responsible for the implementation of investment strategy approved by the Board and for the coordination of all investment activities on behalf of the Fund. The Investment Staff is responsible for the implementation of the investments program and making recommendations to the Board and Investment Committee as appropriate.

Specifically, the investment related responsibilities include:

- Maintain the Investment Policy Statement
- Implement Board approved investment policy and strategies
- Oversee the daily administration of the Fund's assets
- Monitor and manage the Fund's liquidity needs. Specifically, to ensure cash is available to meet benefit payments, capital commitments and other obligations
- Rebalance assets per policy
- Establish and maintain Investment Manager guidelines
- Conduct searches and evaluate candidates
- Monitor and report Fund performance

- Monitor investment managers and make recommendations when warranted
- Review invoices and pay investment managers, consultants and other approved service provider fees as per contracts
- Negotiate investment management agreements with investment managers where required
- Prepare agendas and meeting materials for periodic Board and Committee meetings
- Prepare Board and Committee meeting minutes
- Assist in the annual audits
- Respond to inquiries from and deliver mandated reports to state legislators or other governmental agencies
- Provide data to Fund's actuary to support valuation process
- Report on emerging trends and issues of concern to public pension funds generally and to the Fund in particular

E. Investment Consultant

The Board may hire investment consultant(s) to assist the Board, its Committees and Staff in developing and implementing a prudent process for establishing, monitoring and evaluating the Fund's investment policy. The responsibilities of the investment consultant include:

- Assist in the development, implementation and evaluation of an investment policy that reflects the Board's tolerance for risk and objectives for the Fund, including performance, funded status, and liquidity needs
- Assist in the development, implementation and evaluation of an investment manager structure that provides appropriate diversification with respect to the number and types of investment managers retained by the Fund
- Recommend the appropriate benchmarks and peer groups for performance evaluation purposes
- Conduct a prudent investment manager search process, as needed, to identify appropriate candidates for review and selection
- Produce monthly and quarterly performance evaluation reports to assist the Staff in evaluating the Fund's investment results relative to the Fund's investment objectives and policy and provide recommendations for action when appropriate or if required
- Monitor the investment management firms and products employed and provide notice of any developments that might impact future performance
- Educate on investment issues that are relevant to public defined benefit plan investment programs
- Attend Board and Committee meetings as requested

F. Custodian

The custodian's primary responsibilities are the safekeeping of assets which includes custody, valuation and accounting & reporting of assets owned by the Fund.

The Custodian provides the services listed below:

- Adequate safekeeping services for both domestic and international securities
- Timely settlement of securities transactions, including cross-border investments
- Proper pricing and valuation of equities, fixed-income and international securities
- Timely collection of income, including tax reclaims
- Preparation of useful, accurate, and timely investment accounting and audited reports
- Provide valuation and tracking of derivatives
- Track values and contributions and distributions from non custodied investments such as: Private Equity, Real Estate and Fund of Funds, including Hedge Funds.
- Appropriate data processing capabilities, including on-line access to custody, accounting information, and other ancillary services as contracted with the custodian
- Prompt and accurate administration of corporate actions, including proxy issues
- Direct, accurate daily communications with investment managers to ensure trades are correct and confirmed
- Proactive reconciliation with investment managers at least monthly before monthly audited statements are rendered
- Immediate communication with the Staff regarding any concerns or issues with respect to services provided by the Custodian
- Furnish periodic SSAE No 16 Reports for review by the Staff and auditors to ascertain adequate operational, processing and risk controls
- Appropriately manage the securities lending program according to the guidelines established in this IPS
- Sweep idle cash balances in short term investment vehicles that are consistent with the investment guidelines promulgated by OCC Reg 9 and/or SEC Rule 2a-7
- Provide GASB 72 fair value measurement and application

G. Investment Managers

The specific duties and responsibilities of each investment manager include:

- Manage assets in accordance with the guidelines and objectives and consistent with each investment manager's stated investment philosophy and style as presented (see investment guidelines in Exhibit B)
- Communicate with the Fund in writing regarding all significant changes, such as ownership, organizational structure, financial condition, and professional staff. The Fund must receive such communications no more than seven (7) days after the change occurs

- Manage the assets within the parameters established by all other applicable laws and governmental rules and regulations and the Code
- Exercise voting rights on all proxies and take all related actions in a manner consistent with the long-term interest and objectives of the Fund. Each investment manager shall keep detailed records of his or her voting of proxies and related actions and will comply with all regulatory obligations related thereto

H. Security Lending Provider

The Fund may utilize a Securities Lending Provider to create income through the lending of Fund assets. The securities lending program shall be implemented through the Custodian. A separate contract, distinct from the custody relationship, will be signed detailing the type of securities lending relationship and program and acknowledging that this is an investment function with the associated risks and return implications and fiduciary responsibility.

The securities lending provider must exercise investment discretion within the overall objective of:

- Preserving principal
- Providing a liquidity level consistent with market conditions and the lending and trading activities of the Fund's assets
- Maintaining full compliance with stated objectives and statutory provisions
- Exercising prudence and expertise in managing the cash collateral reinvestment function
- Adherence to investment and liquidity guidelines established within collateral reinvestment

I. Transition Management Providers

The Fund has established a transition management pool/bench of providers for implementation of rebalancing activities. When a transition event occurs, the Fund seeks transition bids from the pool of transition management providers. The selection of the actual transition manager to effectuate the transition event is largely dependent on:

- Reasonableness of proposed strategy given market dynamics and portfolio characteristics
- Total cost analysis
- Specialty considerations
- Liquidity advantage

The Fund seeks to maintain a diverse set of transition manager partners which may include minority and non-minority owned firms. Transition managers are expected to meet or exceed the Fund's minority brokerage goals.

V. POLICIES

A. Asset Allocation Policy

In establishing the asset policy, the Board takes into consideration the actuarial rate of return, the nature of the Fund's liabilities, the cash flow needs, the return and risk expectations for the capital markets as well as any applicable legislation and statutes governing the Fund. The asset policy reflects the Board's return objectives at a prudent level of risk. The asset allocation policy will be reviewed every three to five years by the Board to ensure its appropriateness to capital market conditions and liability considerations.

The Fund's asset allocation policy targets and ranges are specified in Exhibit C.

B. Rebalancing Policy

The Investment Committee maintains a rebalancing policy to manage the Fund's strategic exposure to the capital markets, ensure that the Fund's actual asset class allocations do not drift too far from the approved Policy Target, and to satisfy the liquidity requirements of the Fund. It is recognized that there may be periods during which certain ranges or amounts are exceeded or not met.

Rebalancing ranges (defined in Exhibit C) for each asset class have been established by the Investment Committee in conjunction with the Policy. Staff has been delegated responsibility to implement the rebalancing policy.

The following, among other things, may be used to rebalance the asset classes:

- Cash flows into and out of the Fund will be used to rebalance back toward the Target weights whenever possible. For example, incoming cash flows should be directed towards asset classes that are most underweight; outgoing cash flows should be taken from asset classes that are most overweight. This will also serve to minimize costs associated with rebalancing
- The Fund's actual asset allocation will normally be reviewed towards the end of each calendar month. Rebalancing may occur more frequently due to extreme volatility in the capital markets or a need to implement a change in managers. Rebalancing may take place if the weight in any asset class is outside the ranges stated below. The costs of rebalancing shall be weighed against the expected benefits when assessing the frequency of rebalancing

  When an asset class is outside its approved range, the asset class may be rebalanced back toward the approved Target.

C. Investment Manager Selection

The Board follows the policies and procedures of the Procurement Policy for selection and appointment of Investment Advisers and Consultants adopted May 20, 2009 and amended February 3, 2010. Pursuant to Section 1-109.1 of the Pension Code, it is the public policy of the State of Illinois to encourage the Trustees of public employee retirement systems to use qualified Emerging Investment Managers in managing assets of their respective plans to the greatest extent feasible within the bounds of financial and fiduciary prudence.

D. Performance Reporting and Investment Manager Evaluation

Performance reports generated by the Consultant shall be presented to the IC for review. The investment return of the total portfolio, as well as asset class components and individual managers, will be measured against appropriate performance benchmarks and peer groups. The relevant benchmarks for each asset class and investment manager are provided in Exhibit D.

The investment objectives for active managers are to exceed the return of the appropriate benchmark index (net of fees) and rank above median in a representative peer universe over reasonable measurement periods (3 to 5 years). The objective for passive managers is to approximate the return of the stated index gross of fees and maintain a low tracking error relative to the index.

Investment Managers shall be reviewed regularly regarding performance, personnel, investment strategy and process, research capabilities, organizational and business matters, compliance with the Fund directives regarding utilization of minority, female and disabled-owned broker dealers and other factors that may impact their ability to achieve the desired investment results.

The Board recognizes that the decision to retain or terminate an investment manager cannot be made by rigid rules or formulae. It is the Board's confidence in the manager's ability to add value to the Fund that ultimately determines the retention of the manager.

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 placed on review. This process 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.

Investment Staff and Investment Consultant will actively monitor and evaluate the Investment Manager placed under review, which may include onsite due diligence, regular meetings, and increased reporting and will inform the Investment Committee periodically of all developments.

Ultimately, however, the Board may find it necessary to terminate an investment manager at any point, based upon, but not limited to the following criteria:

- Inability to exceed the return, net of fees, of the appropriate benchmark index over reasonable measurement periods (3 to 5 years)
- Inability to adhere to all applicable Board Policies, Investment Policies and Investment Manager Guidelines
- Material changes in the investment manager's organization, investment philosophy and/or personnel
- Any legal, SEC and/or regulatory agency proceedings affecting the investment manager
- Inability to aid the Fund in addressing its liquidity needs

E. Emerging Investment Manager and MWDO Program

The Board supports the Code's aspirational goal to use emerging investment managers for not less than 20% of the total funds under management and the aspirational goal that not less than 20% of investment advisors be MWDO.

The Board considers it a priority to take affirmative steps to remove barriers to the full participation of emerging managers in investment opportunities and has been a pioneer in this regard and desires to further advance its efforts. The Board's objectives are to:

- To increase the utilization of emerging and MWDO managers
- To proactively identify best-in-class emerging and MWDO 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 and MWDO managers
- To employ prudent selection processes and practices consistent with the high fiduciary standards for all investment management decisions

For the purpose of this program, the Fund hereby adopts the Emerging Investment Manager utilization goals and evaluation methodology established for the Forest Preserve District Fund. Results will be reported on a combined basis with Cook County.

F. Broker/Dealer Trading Policy

The Board encourages the use of broker/dealer firms that are MWDO 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 the Broker/Dealer Trading Policy, the Fund has established the minimum annual goals based on its current asset allocation. For the purpose of this program, the Fund hereby adopts the Broker/Dealer Trading Policy annual goals and evaluation methodology established for the Forest Preserve District Fund. Results will be reported on a combined basis with Cook County.

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 MWDO 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.

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

G. 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:

- Subscribe to the Sudan Compliance Service Provider compliance list
- Not purchase any securities on the Sudan Compliance Service Provider Sudan compliance list
- 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:

- Will not be required to sell the security
- May not add to that security's position

- Must notify the Board in writing of the security's change in status with Sudan Compliance Service Provider Compliance List

H. Investments in Illinois

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 provide a subsidy to a particular group to the detriment of the Fund or its participants and beneficiaries.

Exhibit A

PLAN INFORMATION AND LIST OF CURRENT PROVIDERS
(As of August 2018)

PLAN INFORMATION

Plan Name:	Forest Preserve District Employees' Annuity and Benefit Fund of Cook County
Type of Plan:	Defined Benefit
Plan year end:	December 31
Employer ID Number:	36-6097055
Plan Custodian:	BNY Mellon
Plan Actuary:	Conduent Consultants
Plan Investment Consultant:	Callan LLC
Plan Securities Lending Agent:	BNY Mellon
Investment Managers	Blackstone Channing Garcia Hamilton JP Morgan Lazard Mellon Capital Prudential Rhumbline Russell Investments William Blair
Transition Managers	Citigroup Loop Capital Penserra Russell Investments

Exhibit B: Investment Manager Guidelines

Fixed Income Manager(s)
Active Separately-Managed, Core Investment Grade

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

- Approved Securities include:
  - Obligations, issues or guaranteed by the U.S. Federal Government, U.S. Federal agencies or US. Government sponsored corporation and agencies.
  - Obligations of U.S. and non U.S. corporations such as mortgage bonds, convertible and non-convertible notes and debentures, preferred stocks, commercial paper, certificates of deposit and bankers acceptances issued by industrial, utility, finance, commercial banking or bank holding companies
  - Mortgage backed and asset backed securities
  - Obligations issued or guaranteed by local, city and state governments and agencies
  - Swaps, forward, options on swaps options on forwards
  - Securities defined under Rule 144A and commercial Paper defined under Section 4(2) of the Securities act of 1933
  - Mortgage-related securities, including CMO's, CMBS's, and mortgage derivatives (mortgage derivatives include Interest Only strips (IOs), Principal only strips (POs), inverse IOs, and inverse floating rate notes, CMO residuals)
  - Collateralized repurchase agreements and reverse repurchase agreements
  - Loan participations
  - Variable and floating rate securities
  - Interest rate swaps and futures and options contracts on Treasuries, Agencies, Non-U.S. sovereign debt and interest rates
- 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 securities
- 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. However, 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.
- 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 Staff and the Investment Consultant promptly if the average portfolio quality falls below A-.
- 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.

- The aggregate position in all Rule 144A securities shall comprise no more than 20% of the portfolio's market value. Preferred stock and hybrid capital securities of any type are limited to 15% of the market value of the portfolio.
- The average duration of the portfolio is not to vary more than +/-30% of the duration of the appropriate benchmark index.
- The portfolio is expected to be fully invested; however, the Investment Manager may hold up to 5% of its portfolio in cash/cash equivalents. The Investment manager may hold in excess of 5% during short periods of trading activity (i.e., 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.

Fixed Income Managers
Passive Separately-Managed

- Approved securities include the securities held in the Barclays Aggregate Index The portfolio holdings are expected to be a stratified sample of the index with the objective to earn the reported return of the index with low relative volatility (tracking error).
- Exchange-traded funds are permissible investments and shall comprise no more than 10% of the portfolio at market. 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 securities
- The portfolio is expected to be fully invested in fixed income securities. However, the Investment Manager may hold up to 5% of its portfolio in cash equivalents. The cash will be invested in the commingled short term investment fund managed by the custodian consistent with OCC Reg. 9 and/or SEC Rule 2a-7. 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.

Fixed Income Managers
Separately-Managed, Short Duration

- 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 securities
- 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. However, 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.
- 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 Staff and the Investment Consultant promptly if the average portfolio quality falls below A-.

- 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.
- The average duration of the portfolio is not to vary more than +30%/-50% of the duration of the appropriate benchmark index.
- The portfolio is expected to be fully invested; however, the Investment Manager may hold up to 5% of its portfolio in cash/cash equivalents. The Investment manager may hold in excess of 5% during short periods of trading activity (i.e., 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.

U.S. Equity Managers

Active Separately-Managed

- Approved Securities include:
  - Common stock of any issuer traded on a U.S. stock exchange or in the U.S. over-the-counter markets which are denominated in U.S. dollars
  - Securities which take the form of sponsored and/or unsponsored American Depository Receipts ("ADRs") Global Depository Receipts ("GDRs") and/or European Depository Receipts ("EDRs")
  - Stock purchase rights and warrants of any issuer for which equity may be purchased
  - Preferred stocks (convertible and non-convertible) of any issuer for which equity may be purchased
  - Master limited partnership interests (if publicly traded)
  - Securities of special purpose issuers of all types including without limitation unit investment trust (e.g., SPDRs), open-end and closed-end funds and real estate investment trusts
- No single security shall comprise more than 10% of the portfolio's overall market value after accounting for price appreciation.
- Options, 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.
- Equity Futures contracts may be employed solely of the purpose of overlaying cash to generate or maintain equity exposure.
- No investments shall be made in securities that are not traded on an U.S. exchange or traded in U.S. dollars.
- The combined holdings of preferred stocks and convertible bonds shall not exceed 10% of the portfolio.
- Exchange-traded funds are permissible investments and shall not comprise more than 10% of the portfolio at market.
- Investments in Rule 144a securities may not exceed 10% of the portfolio's overall market value.

- 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.
- The portfolio is expected to be fully invested in U.S. common stocks. However, the Investment Manager may hold up to 5% of its portfolio in cash equivalents. The cash will be invested in the commingled short term investment fund managed by the custodian consistent with OCC Reg 9 and/or SEC Rule 2a-7. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline, the Investment Manager must notify Investment Staff promptly and in writing.

U.S. Equity Managers

Passive Separately-Managed

- Approved securities include the common stock of those companies included in the associated index. The portfolio holdings are expected to replicate the associated index with the objective to earn the reported return of the index with low relative volatility (tracking error).
- Exchange-traded funds are permissible investments, but shall not comprise more than 10% of the portfolio at market.
- The portfolio is expected to be fully invested in U.S. common stocks. However, the Investment Manager may hold up to 5% of its portfolio in cash equivalents. The cash will be invested in the commingled short term investment fund managed by the custodian consistent with OCC Reg 9 and/or SEC Rule 2a-7. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline, the Investment Manager must notify Investment Staff promptly and in writing.

Non-U.S. Equity Manager(s)
Active Separately-Managed

- Approved securities include:
  - Foreign equity securities, defined as equity securities that are issued by any company that is organized or headquartered in a foreign country, or whose primary business is conducted outside the U.S.
  - Foreign securities may include preferred stock, stock purchase rights and warrants of any foreign issuer for which equity may be purchased.
  - American Depository Receipts; European Depository Receipts; Global Depository Receipts; or similar instruments representing securities of foreign companies
- No single security shall comprise more than 10% of the portfolio's overall market value after accounting for price appreciation
- 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.
- The combined holdings of preferred stocks and convertible bonds shall not exceed 10% of the portfolio.
- Exchange-traded funds are permissible investments, shall not comprise more than 10% of the portfolio at market.

- 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.
- Financial futures are allowed for hedging purposes only. They are not allowed for speculation or for leveraging the portfolio.
- The portfolio is expected to be fully invested in Non US common stocks. However, the Investment Manager may hold up to 5% of its portfolio in cash equivalents. To the extent the portfolio holds local or base currency cash, the cash will be invested in the commingled short term investment fund managed by the custodian consistent with OCC Reg 9 and/or SEC Rule 2a-7. Should an Investment Manager need to maintain cash levels exceeding the 5% guideline, the Investment Manager must notify Investment Staff promptly and in writing.

Commingled Funds

Where the Board has selected to participate in a commingled fund, limited partnership or mutual fund it acknowledges and accepts that the respective fund is governed by the guidelines and restrictions contained in its prospectus or participations agreement.

Security Lending Provider

- 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
- The Securities Lending Provider shall only lend securities within the lending cap established by the Board in writing for securities on loan
- 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 (IC?).
- 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.
- All security loans shall be collateralized by cash, irrevocable letters-of-credit or securities. The amount of collateral 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.
- 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.
- The Securities Lending Provider shall use amortized cost for purposes of calculating a net asset value ("NAV").

- 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 with 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.
- 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").
- 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.

Hedge Fund-of-Funds Manager

The following guidelines and restrictions summarize the Fund's more comprehensive Hedge Fund Investment Policy Statement (see Exhibit E).

- The hedge Fund-of-Fund manager builds and maintains a customized Fund-of-Fund for the sole use of the Forest Preserve and Cook County Funds.
- The Core Fund-of-Fund makes allocations to underlying hedge funds investing in multiple strategies. The expected ranges of allocations to these strategies is:
    - Relative value: 10% to 30%
    - Event driven: 20% to 50%
    - Long/short equity: 20% to 50%
    - Global macro and Managed futures: 0% to 40%
- The Fund-of-Fund will have no leverage at the portfolio level, except for funding new investments with redemption pending. However, there can be leverage at the individual underlying funds.
- The Fund-of-Fund manager will maintain a diversified portfolio of hedge funds. The minimum number of underlying funds is 20, a maximum of 15% invested in any single hedge fund manager, and a maximum of 10% to any individual fund.
- The Fund-of-Fund will have no more than 25% of capital at cost allocated to investment vehicles with lock-up provisions of more than one (1) year.

Real Estate Managers

The following guidelines and restrictions summarize the Fund’s more comprehensive Real Estate Investment Policy Statement (see Exhibit F).

- The objective of the Real Estate allocation is to provide diversification to the Fund’s equity and bond holdings, provide a source of current income, produce a rate of return that generally falls between stocks and bonds; and to hedge against unanticipated inflation.
- The Fund’ primary investments will be in private market commercial real estate (“private market real estate”). To partially mitigate the illiquidity risk, and provide portfolio rebalancing tools, the Fund will focus its investment in income producing Core open-end funds and public real estate securities (REITs). Private real estate will comprise a minimum of 80% of the real estate allocation and REITs will be limited to no more than 20% of the real estate allocation.
- Private market real estate will be invested in commingled open-end core funds. Core strategies are defined as those investing in institutional quality properties that are substantially leased (greater than 80%). Core funds typically are diversified across the four main property types: office, apartment, retail and industrial, with low levels of leverage (typically less than 40%) and are geographically diversified in the major U.S. cities.
- At this time, given the liquidity needs of the Fund, it will not invest in closed-end private market funds or in Non-Core, value-added or opportunistic real estate products. Thus, 100% of the private real estate portfolio will be invested in core, open-end funds.
- Investments in REITs will be made through passive ETFs and/or collective investment vehicles.
- The Fund will not purchase individual properties directly.
- Diversification by manager/product will be used to limit manager concentration risk.

Transition Managers

Consistent with the Fund’s more comprehensive Transition Management Guidelines, the following are responsibilities required of any transition manager in their role as a fiduciary during a transition management process.

- Provide the Fund with a written portfolio transition (liquidation) strategy, including the timeframe required, to achieve the desired objective of liquidating the legacy portfolio(s) and building (and/or funding) the target portfolio(s), including rebalancing events.
- Provide options to effectuate a transition (liquidation) detailing the costs and pros & cons for each, and recommendation.
- Support proxies during the transition period, including mandatory and voluntary corporate actions.
- Investment discretion and control of the transition/legacy portfolio(s) absent a target portfolio(s) and, if so, maximum length of such investment discretion.
- Minimize tracking error and maintain asset class (benchmark) exposure. During the transition period, the preservation of capital must be taken into consideration through the expert use of all sources of liquidity.
- Apply all forms of risk management tools and derivatives (i.e., ETFs, Futures, Swaps, etc.) approved for use in advance by the Fund to manage tracking error and mitigate risk.

- Seek best execution in the selection and evaluation of broker execution outlets whether on an agency or principal basis.
- Disclose all sources of revenue or revenue sharing arrangements, including all aspects of foreign currency execution.
- Curtail information leakage, including pre-hedging and front running activities detrimental to the Plan.
- Unless dispensed by the Fund, direct at least 40% of total domestic equity commission dollars to Minority, Woman or Disabled-Owned Business broker-dealers, preferably Illinois based and subject to the principles of best price execution (step-out trades will be not counted).

Exhibit C – Asset Allocation Policy Targets and Ranges

Asset Classes	Benchmark	Target (%)	Min (%)	Max (%)
Domestic Equity	Russell 3000	32.0	28.0	36.0
Non-U.S. Equity	MS ACWI ex US	27.0	23.0	31.0
Fixed Income	Barclays Aggregate	21.0	17.0	25.0
Real Estate	NFI ODCE Value Weight Net + FTSE NAREIT Equity Index	9.0	0.0	9.0
Hedge Funds	Libor +4%	10.0	0.0	10.0
Cash Equivalents	90 T-Bills	1.0	0.0	5.0
Total Fund	Policy Target	100.0		

Exhibit D – Asset Class and Investment Managers Performance Benchmarks

Domestic Equity	**Russell 3000**
Rhumbline	S&P 500
William Blair	Russell 2500 Growth
Channing Capital Management	Russell 2500 Value
International Equity	**MSCI ACWI ex US**
Lazard Asset Mgmt	MSCI ACWI ex US
Fixed Income	**Bloomberg Barclays Aggregate**
Mellon Capital	Bloomberg Barclays Aggregate
Garcia Hamilton	Bloomberg Barclays 1-3 Yr Gov/Credit
Real Estate	**Custom Benchmark**
Russell (ETF)	FTSE NAREIT Equity Index
JP Morgan Strategic Property Fund	NCREIF NFI-ODCE Value Weight Net
Prudential PRISA	NCREIF NFI-ODCE Value Weight Net
Hedge Funds	**LIBOR + 4%**
Blackstone (Burnham Harbor Fund)	LIBOR + 4%
Cash Equivalents	**90 Day T-Bill**
BNY Cash Account	90 Day T-Bill
Total Fund	**Composite Benchmark**