

**Springfield Firefighters' Pension Fund**

**Investment Policy Guidelines**

**November 2011**

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## **Definition of Terms**

### **"Illinois Pension Code" Defined**

In this Policy, "Illinois Pension Code" refers to the Illinois Pension Code (40 ILCS 5).

### **"Fiduciary" Defined**

In this Policy, "Fiduciary" shall mean a "Fiduciary" as defined under Illinois law including, but not limited to, the definitions of section 5/1-101.2 of the Illinois Pension Code and shall include any person who exercises any discretionary authority or control over the Fund's management or the disposition of its assets, or renders investment advice for a fee or other compensation with respect to the Fund's assets or property or has any discretionary authority or responsibility in the Fund's administration, including but not limited to, Investment Consultant(s), Investment Manager(s), and Custodian(s) as defined herein.

### **"Pension Fund" Defined**

In this Policy, the "Pension Fund" refers to the pool of assets held in trust under the terms of the Illinois Pension Code for the benefit of Springfield Firefighters and their surviving spouses, children, and certain other dependents (See Addendum B).

### **"Board of Trustees" Defined**

In this Policy, the "Board of Trustees" refers to the governing board established to administer and control the Fund as specified in the Illinois Pension Code.

### **"Investment Professionals" Defined**

In this Policy, the "Investment Professionals" refers to investment managers, the investment consultant(s), the custodian, the securities lending provider, commission re-capturing agent, and third party proxy voting service provider.

### **"Investment Manager" Defined**

In this Policy, the "Investment Manager" refers to any firm, fund, or individual that analyzes, selects, and executes the purchase or sale of individual securities and has agreed to its appointment as an investment manager as defined in section 5/1-101.4 of the Illinois Pension Code. The investment manager may manage the assets of the Pension Fund in separate accounts held by a third party custodian, a commingled fund, or a mutual fund.

### **"Investment Consultant" Defined**

In this Policy, the "Investment Consultant" refers to any entity or person as defined in section 5/1-101.5 of the Illinois Pension Code that provides investment advice and information and assists the Board of Trustees in fulfilling their fiduciary responsibilities as Trustees.

**"Custodian" Defined**

In this Policy, the "Custodian" refers to any third party firm that safe-keep the assets of the Pension Fund, as authorized under section 5/1-113.7 of the Illinois Pension Code.

**"Commission Re-capturing Agent" Defined**

In this Policy, the "Commission Re-Capturing Agent" refers to any broker/dealer that credits or rebates in cash the Pension Fund for transactions directed to its firm by the Pension Fund's investment managers. The rebate represents a portion of the commissions (for equity transactions) or spreads (for fixed-income transactions) charged on the investment transaction.

**"Third Party Proxy Voting Service Provider" Defined**

In this Policy, the "Third Party Proxy Voting Service Provider" refers to any third party firm that votes the proxies of the stocks held by the Pension Fund.

**"Party in Interest" Defined**

In this Policy, the "Party in Interest" refers to the term described in 5/1-110 of the Illinois Pension Code, and other federal laws. In general, the term refers to persons who have a close relationship with the Pension Fund or a particular transaction.

## **The Statement of Purpose**

### **The Pension Fund's Purpose**

The Pension Fund has been established by the City of Springfield, Illinois and is governed by the Statutes of the State of Illinois. The Pension Fund is a qualified tax-exempt trust designed to provide the Pension Fund members and/or their spouses a pension benefit at the time of retirement or incurred disability.

### **The Purpose of the Investment Policy**

This investment policy is set forth by the Board of Trustees in order to:

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding of all involved parties of the investment goals and objectives of Pension Fund.
- Establish the relevant investment horizon for which the Pension Fund assets will be managed.
- Establish a target asset allocation and rebalancing procedures.
- Establish a methodology and criteria for hiring and firing Investment Professionals.
- Offer guidance and limitations to all Investment Managers regarding the investment of Pension Fund.
- Establish a basis of evaluating investment results.

In general, the purpose of this policy is to outline a philosophy which will guide the investment management of the assets toward the desired results. It is intended to be sufficiently specific to be meaningful, yet flexible enough to be practical. This document is intended to serve as a reference tool, an operating code, and a communications link between the Board of Trustees, its staff, and its Investment Professionals.

## **Distinction of Responsibilities**

### **The Board of Trustees' Authority and Responsibilities**

The Board of Trustees will conduct their responsibilities with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose. The Board of Trustees may delegate functions that a prudent entity acting in a like capacity and familiar with those matters could properly delegate under the circumstances. The Board of Trustees shall discharge their duties with respect to the Pension Fund solely in the interest of the Pension Fund.

The Board of Trustees will generally be responsible for the following:

- Complying with applicable laws, regulations, and rulings.
- Selecting all qualified investment professionals.
- Monitoring and evaluating investment performance and compliance with this Policy.
- Reviewing and suggesting changes, as needed, to this Policy.
- Establishing and reviewing the appropriateness of the Pension Fund's asset allocation policy.
- Taking action according to this Policy.

### **The Finance Committees' Authority and Responsibilities**

There is hereby created a Finance Committee of three Trustees as designated by the full Board of Trustees. The Finance Committee is to meet as needed to carry out the provisions of this policy. The Finance Committee of the Pension Fund shall be responsible for implementation of all transactions undertaken. The Board shall establish a system of internal controls to regulate the activities of the Finance Committee. All investments of the Springfield Firefighters Pension Fund are to be acted upon by the Trustees at their quarterly meeting.

### **The Investment Manager's Authority and Responsibilities**

The Board of Trustees will hire competent, registered professional Investment Managers to manage the assets of the Pension Fund. Investment Managers will conduct their responsibilities with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose. Investment Managers have the following responsibilities:

- Vote proxy issues on securities held. All proxies will be voted exclusively for the best interests of the Pension Fund and their participants. Investment Managers will maintain written policies for proxy voting and keep a proper record of all proxies to which the Program is entitled. A written report will be provided annually.
- Provide written reports to the Board of Trustees and the Investment Consultant on at least a quarterly basis detailing performance for the most recent period as well as the current outlook of the equity and fixed income markets.
- Notify the client and the Investment Consultant on a timely basis of any significant changes in the ownership, organizational structure, investment strategy, portfolio design, or configuration of the investment team.
- All qualified investment managers retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines for the portfolio(s) they manage on behalf of the Pension Fund (see Addendum A) and must execute a written agreement as required by section 5/1-113.5 (b) and (b-5) of the Illinois Pension Code).

### **The Investment Consultant's Authority and Responsibilities**

The Board of Trustees may hire an Investment Consultant to assist the Board of Trustees in fulfilling their Fiduciary responsibilities and in fulfilling their responsibilities in accord with this Policy. The Investment Consultant will conduct their responsibilities with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose. The Investment Consultant will generally be responsible for the following:

- 1) Complying with applicable laws, regulations, and rulings.
- 2) Maintaining databases of qualified investment managers, custodians, securities lending providers, and third party proxy voting service providers.
- 3) If needed, the investment consultant will assist the Board of Trustees with the search and selection of investment managers, custodians, securities lending providers, and third party proxy voting service providers.
- 4) Calculate investment performance and reconcile that performance with the investment managers. Any investment manager will exercise discretion within the parameters set forth in the Investment Policy Guidelines and 5/1-113.2 - 5/1-113.4 of the Illinois Pension Code.

- 5) Providing written reports that summarize the performance and analysis of the Pension Fund's investments to the Board of Trustees no later than 45 days after of the end of each calendar quarter.
- 6) Monitoring and evaluating investment performance and compliance with this Policy. This includes meeting with the Pension Fund's investment managers on the Pension Fund on a regular basis.
- 7) Make long-term assumptions on the capital markets for the purpose of evaluating the Pension Fund's asset allocation policy.
- 8) Establishing and reviewing the appropriateness of the Pension Fund's asset allocation policy.
- 9) Reviewing and suggesting changes, as needed, to this Policy.

The Investment Consultant retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines on behalf of the Fund (see Addendum A).

#### **The Custodian's Authority and Responsibilities**

The Board of Trustees will select a Custodian to safe-keep the assets of the Pension Fund, consisting of either the Treasurer of the City, a bank or trust company authorized to conduct a trust business in Illinois, or the Illinois Public Treasurer's Investment Pool. The Custodian will comply with all of the provisions of the Illinois Pension Code relating to Custody of Investments (5/1-113.7). The Custodian will perform (but not limited to) the following:

- hold and safeguard the assets of the Pension Fund,
- collect the interest, dividends, distributions, redemptions or other amounts due,
- provide monthly reporting to all necessary parties,
- forward any proxies to the Investment Manager, the Board of Trustees, or their designee,
- sweep all interest and dividend payments and any other un-invested cash into a short-term money market fund for redeployment, and
- other duties as detailed in the respective custodial agreement

The Custodian retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines on behalf of the Pension Fund (see Addendum A).



## **The Commission Recapturing Agent's Authority and Responsibilities**

The Board of Trustees may utilize a commission recapturing agent to create income through the direction of brokerage. The commission recapturing agent will execute all trades on a best execution basis. Periodic reports detailing the commissions recaptured will be provided to the client and the investment consultant monthly. The commission recapturing agent retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines on behalf of the Pension Fund (see Addendum A).

## **The Third Party Proxy Voting Service Provider's Authority and Responsibilities**

The Board of Trustees may utilize a third party proxy voting service provider to vote the proxies of the stocks held by the Pension Fund in the best interest of the Pension Fund. Proxy voting guidelines are attached in Addendum E. The third party proxy voting service provider retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines on behalf of the Pension Fund (see Addendum A). The service provider is required to provide annual written reports detailing the voting record specific for the Pension Fund's assets.

## **Investment Objectives**

### **Return Objectives**

The primary return objectives of the Pension Fund are to:

- (a) preserve the safety of principal per the Illinois Pension Code and diversification of the Pension Fund,
- (b) earn the highest possible total return consistent with prudent levels of risk, and
- (c) create a stream of investment returns to insure the systematic and adequate funding of actuarially determined benefits through contributions and professional management of the Pension Fund assets.

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

This objective should be met over a market cycle typically defined as a period not less than three years or more than five years.

45%	Barclays Intermediate Government/Credit Index
30%	Wilshire 5000 Index
20%	MSCI ACWI ex. U.S.
5%	NFI ODCE

### **Risk Tolerance**

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

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

### **Constraints on the Investment Objectives**

The investment objectives of the Pension Fund are constrained by the Illinois Pension Code, time, taxes, and liquidity. The Pension Fund will operate in accord with the applicable provisions of the Illinois Pension Code, as amended. The Pension Fund is a tax-exempt entity, but can be subject to taxes involving to unrelated business taxable income ("UBTI"). UBTI is income earned by a tax-exempt entity that does not result from tax-exempt activities. The liquidity needs of the Pension Fund are to meet the regular cash flow requirements of the Pension Fund.

## Asset Allocation and Rebalancing Procedures

### General Methods and Frequency of Evaluating the Asset Allocation

The Board of Trustees, with the assistance of the Investment Consultant, will review the target asset allocation of the Pension Fund at least every three years. They will take into consideration applicable statutes, the actuarial rate of return of the Pension Fund, the long-term nature of the asset pool, the cash flow needs of the Pension Fund, and the general asset allocation structure of their peers. They 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 Pension Fund at a prudent level of risk.

### Asset Allocation/Rebalancing

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

Asset Class	Target	Minimum*	Maximum*
<b>Intermediate Government/Credit</b>	<u>45.0%</u>	<u>40.0%</u>	<u>50.0%</u>
<b>Total Fixed Income</b>	<u>45.0%</u>	40.0%	50.0%
<b>Large-Cap Core Equity</b>	8.0%	5.0%	11.0%
<b>Large-Cap Value Equity</b>	8.0%	5.0%	11.0%
<b>Mid-Cap Core Equity</b>	8.0%	5.0%	11.0%
<b>Small-Cap Value Equity</b>	<u>6.0%</u>	<u>3.0%</u>	<u>9.0%</u>
<b>Total U.S. Equity</b>	<u>30.0%</u>	25.0%	35.0%
<b>Non-U.S. Large-Cap Core Equity</b>	10.0%	7.0%	13.0%
<b>Non-U.S. Small-Cap Equity</b>	5.0%	2.0%	8.0%
<b>Emerging Markets Equity</b>	<u>5.0%</u>	<u>2.0%</u>	<u>8.0%</u>
<b>Total Non-U.S. Equity</b>	<u>20.0%</u>	15.0%	25.0%
<b>Core Real Estate</b>	<u>5.0%</u>	<u>2.0%</u>	<u>8.0%</u>
<b>Total Real Estate</b>	<u>5.0%</u>	2.0%	8.0%
<b>Total Cash</b>	<u>0.0%</u>	0.0%	5.0%
<b>TOTAL</b>	<u>100.0%</u>		

\*May not equal 100%

In accord with the interpretation of the Illinois Pension, adopted by the Trustees, the book value of total equities, at time of the investment, may not exceed the following percentage of the market value of the Pension Fund provided in the most recent annual report on file with the Department of Insurance: 55% for mutual funds, separate account of an insurance company, or separate accounts of a money manager. (5/1-113.4 and 5/1-113-10 et. Seg.)

The Board of Trustees, with the assistance of the Investment Consultant, will review the asset allocation of the Pension Fund on a regular basis and adjust the portfolio to comply with the guidelines above. The Board of Trustees anticipates that the on-going natural cash flow needs of the Pension Fund (contributions and withdrawals) will be sufficient to maintain the asset allocation of the Pension Fund within policy guidelines under most market conditions.

## **Investment Professional Selection, Communication, and Evaluation**

### **Investment Manager Selection**

No Investment Managers shall be hired who are a party in interest or who have not, by their record and experience, demonstrated their Fiduciary responsibility, their investment expertise, their investment experience, and their capacity to undertake the mandate for which they are being considered. Investment managers are required to comply with the following:

- 1) Acknowledge in writing a Fiduciary and Investment Manager relationship with respect to the Pension Fund as defined by Illinois law as well as receipt of the Policy.
- 2) Be currently registered and maintain registration as an investment advisor under the Investment Advisors Act of 1940, a bank (as defined in the Act), or an insurance company qualified to perform investment management services under the law of more than one state unless otherwise approved on an exception basis, and
- 3) Be granted by the Pension Fund the power to manage, acquire or dispose of any assets of the Pension Fund pursuant to the Pension Fund documents.
- 4) Shall sign a written agreement as provided under 5/1-113.5 of the Illinois Pension Code and that the law governing the provisions of the agreement shall be Illinois.

The Pension Fund will establish investment guidelines for the Investment Managers and, with the assistance of the Investment Consultant, will conduct due diligence before the appointment of all Investment Managers.

### **Frequency of Measurement and Meetings**

General meetings will be scheduled each year in advance in accordance with the Open Meetings Act and published for beneficiaries to note. Any investment activity shall be discussed at each meeting and appear as an item on the agenda.

The Board of Trustees, with the assistance of the Investment Consultant, expects to measure investment performance quarterly.

### **Investment Manager Communication and Evaluation Terminology**

The following terminology has been developed to facilitate efficient communication between the Investment Managers, Investment Consultant, and the program 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 of Trustees.

	<u><i>STATUS</i></u>	<u><i>DESCRIPTION</i></u>
A.	<i>"In Compliance"</i>	The Investment Manager states it is acting in accordance with the Investment Policy Guidelines.
B.	<i>"Alert"</i>	The Investment Manager is notified of a problem in performance (usually related to a benchmark or volatility measure), 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.
C.	<i>"On Notice"</i>	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.
D.	<i>"Termination"</i>	The program's management has decided to terminate the Investment Manager. The Investment Manager is notified and transition plans are in place.

## Operational Guidelines

### Separately-Managed Intermediate Government Credit Manager(s)

This document contains the guidelines and restrictions that apply to the separately-managed fixed income Investment Manager(s) of the Pension Fund (see addendum A).

1. The Investment Manager shall comply with all of the provisions of the Illinois Pension Code relating to Article 4 Pension Funds, specifically Sections 1-113.2, 1-113.3, 1-113.4, and 1-113.4 (a) relating to Permissible Investments (40 ILCS 5/1-113.2 et. seg.). In any instance where the Illinois Pension Code is stricter or prohibits any item contained in this document, the Illinois Pension Code supersedes this document. In accord with the applicable portions of the Pension Code, above referenced, the Investment Manager may invest in the following fixed income securities:
  - a) Interest bearing direct obligations of the United States of America.
  - b) Interest bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America.
  - c) Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this Section, "agencies of the United States of America" includes: (i) the Federal National Mortgage Association and the Student Loan Marketing Association; (ii) federal land banks, federal intermediate credit banks, federal farm credit banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Act of 1971 or amendments to that Act; (iii) federal home loan banks and the Federal Home Loan Mortgage Corporation; and (iv) any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
  - d) Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
  - e) Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
  - f) Interest bearing bonds of the State of Illinois.
  - g) Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool in accordance with the Deposit of State Moneys Act, interest bearing funds or pooled accounts of the Illinois Metropolitan Investment Funds, and interest bearing funds or pooled accounts managed, operated, and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois.
  - h) Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
  - i) Direct obligations of the State of Israel, subject to the conditions and limitations of item (5.1) of Section 1-113.

- j) Money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies.(See Section 1-113.2(11) for restrictions)
  - k) Corporate bonds managed through an investment advisor must meet all of the following requirements: (i) the bonds must be rated as investment grade by one of the 2 largest rating services at the time of purchase; and (ii) if subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.
2. The average quality of the overall portfolio may not be rated lower than A- (or A3).
  3. Investments in securities of a single issuer (with the exception of the U.S. Government and its Agencies) must not exceed 5% of the Fund's fixed income market value.
  4. No single security should comprise more than 10% of the portfolio's overall allocation after accounting for price appreciation.
  5. The average duration of the portfolio may not vary more than +/- 20% of the duration of the index (see Addendum A).
  6. The portfolio may not exceed 10% in cash or cash equivalents.
  7. Domestic corporate bonds must be rated as investment grade by one of the two largest rating agencies at the time of purchase. Subsequently, if a domestic corporate bond security is downgraded below investment grade by one of the two largest rating agencies; the security must be liquidated from the portfolio within 90 days after the downgrade.

### **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).



## **Separately-Managed U.S. Equity Manager(s)**

This document contains the guidelines and restrictions that apply to the separately-managed equity Investment Manager(s) of the Pension Fund (see Addendum A).

1. The Investment Manager is expected to comply with all of the provisions of the Illinois Pension Code relating to Article 4 Pension Funds, specifically Sections 1-113.1, 1-113.2, 1-113.4, and 1-113.4 (a), relating to Permissible Investments (40 ILCS 5/1-113.1 et. seq.). In any instance where the Illinois Pension Code is stricter or prohibits any item contained in this document, the Illinois Pension Code supersedes this document. In accord with the applicable portions of the Pension Code, above referenced, the Investment Manager may invest in the following equity securities:
  - a) The common stocks are listed on a national securities exchange or board of trade (as defined by in the federal Securities Exchange Act of 1934 and set forth in Section 3.G of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System (NASDAQ,NMS).
  - b) The securities are of a corporation created or existing under the laws of the United States or any state, district, or territory thereof and the corporation has been in existence for at least 5 years.
  - c) The corporation has not been in arrears on payment of dividends on its preferred stock during the preceding 5 years.
  - d) The market value of stock in any one corporation does not exceed 5% of the cash and invested assets of the Pension Fund, and the investments in the stock of any one corporation does not exceed 5% of the total outstanding stock of the corporation.
  - e) The straight preferred stocks or convertible preferred stocks are issued or guaranteed by a corporation whose common stock qualifies for investment by the Trustees.
  - f) The issuer of the stocks has been subject to the requirement of Section 12 of the federal Securities Exchange Act of 1934 and has been current with the filing requirement of the Sections 13 and 14 of that Act during the proceeding 3 years.
2. The Investment Manager may invest up to 10% of its portfolio in cash or cash equivalents. Not more than 10% cash may be invested for 30 days or more without approval from the Board of Trustees.
3. Options, financial futures, private placements, or venture capital may not be purchased. The purchase of securities on margin is prohibited.
4. Securities listed on pink sheets may not be purchased or held at any time within the portfolio.
5. No single security in the Investment Manager's portfolio will comprise more than 5% of its equity allocation at the time of purchase, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation.

6. Exchange Traded Funds (ETF's) may be utilized during periods of time when significant cash flows (contributions or withdrawals) are incurred or expected within the portfolio. ETF's are only to be utilized over very short periods of time. Only ETF's replicating the managers respective benchmark (see Addendum A) may be utilized.
7. All interest and dividend payments must be swept on a daily basis into a short-term money market fund for redeployment.

**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).

## **Mutual, Commingled, Separate Accounts of Insurance Companies, or Collective Fund Manager(s)**

This document contains the guidelines and restrictions that apply to the equity manager(s) of the Pension Fund invested in mutual, separate accounts of insurance companies, commingled or collective fund vehicles (see Addendum A).

### **Permissible Investments**

1. These funds are governed by the guidelines and restrictions contained in their prospectuses or participation agreements and in accordance with the Illinois Statutes.

### **Investment Objective**

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

## **Investment Policy Modification and Revision**

### **Policy Modification**

The Board of Trustees, with the assistance of the Investment Consultant, will review this Policy annually. Key environmental or operational occurrences, which could result in a Policy modification, include:

- (1) significant changes in expected patterns of the Pension Fund's liability stream,
- (2) impractical time horizons or changes,
- (3) change in the Pension Fund's priorities,
- (4) convincing arguments for change presented by Investment Professionals,
- (5) legislation or case law, and
- (6) areas found to be important, but not covered by the Policy.

### **Modification of Addendums**

Changes to Investment Professionals, the Board of Trustees, or Pension Fund information contained within Addendums A-D can and should be modified, as necessary, with a complete review by all Trustees.

## Addendum A

### Defining the Investment Professionals and Benchmark Indexes

<u>Asset Class</u>	<u>Investment Manager</u>	<u>Benchmark Index</u>
Intermediate Government/Credit	JP Morgan	BarclaysIntermediate Government/Credit
Large-Cap Core Equity	Vanguard	S&P 500
Large-Cap Core Equity	JP Morgan	S&P 500
Large-Cap Value Equity	Vanguard	Russell 1000 Value
Mid-Cap Core Equity	Vanguard	Russell Mid Cap
Mid-Cap Value Equity	PNC Capital	Russell Mid Cap Value
Small-Cap Value Equity	GW Capital	Russell 2000 Value
International Large Cap Equity	JP Morgan	MSCI EAFE
Emerging Markets Equity	Vanguard	MSCI Emerging Markets
International Small-Cap Equity	Dimensional Fund Advisors	MSCI ACWI ex. U.S. Small Cap
Core Real Estate	Principal	NFI-ODCE

<u>Investment Professional</u>	<u>Service Provider</u>
Custodian	US Bank
Investment Consultant	Marquette Associates, Inc.
Commission Recapture Agent	N/A
Third Party Proxy Voting Service Provider	N/A

**Addendum B – Summary of Plan Information**

<b>Plan Name:</b>	<u>Pension Plan</u>
<b>Type of Plan:</b>	<u>Defined Benefit</u>
<b>Plan Adoption Date:</b>	<u>July 11, 1919</u>
<b>Plan Year-End Date:</b>	<u>February 28</u>
<b>Plan Number:</b>	<u>N/A</u>
<b>Tax Identification Number:</b>	<u>36-3211349</u>
<b>Assumed Actuarial Rate of Return:</b>	<u>7.5%</u>

### **Addendum C – Investment Professional Adoption of Policy**

This Policy document was adopted by the Board of Trustees for the Springfield Firefighters' Pension Fund on November 29, 2011.

#### **Investment Professional's Acknowledgments:**

The firm has received this copy of the Pension Fund's Investment Policy. The firm has studied its' provisions and believe that we can both abide by its restrictions and fulfill its goals and expectations over the timetables set forth in the Policy, and acknowledges it is a fiduciary to the Pension Fund.

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Firm Name

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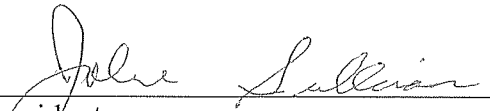
Investment Professional

**Addendum D – Board of Trustees Adoption of Policy**

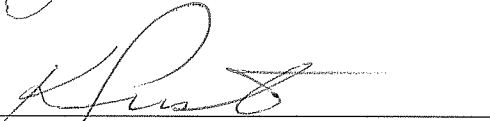
This Policy document was adopted by the Board of Trustees for the Springfield Firefighters' Pension Fund on November 29, 2011.

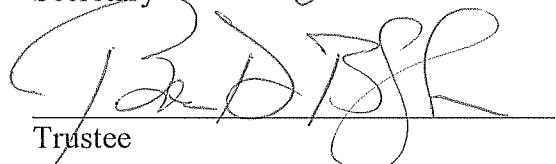
**Board of Trustees' Acknowledgments:**

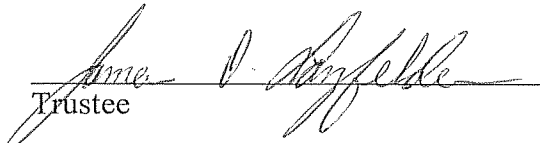
We have received this copy of the Program's Investment Policy. We have studied its provisions and believe that we can both abide by its restrictions and fulfill its goals and expectations over the timetables set forth in the Policy.

  
\_\_\_\_\_  
President

  
\_\_\_\_\_  
Secretary

  
\_\_\_\_\_  
Trustee

  
\_\_\_\_\_  
Trustee

  
\_\_\_\_\_  
Trustee

November 29, 2011  
\_\_\_\_\_  
Date