

A G E N D A

SPECIAL MEETING OF THE BOARD OF TRUSTEES OF THE POLICE PENSION FUND OF THE VILLAGE OF WILLOWBROOK TO BE HELD ON WEDNESDAY, MARCH 15, 2017, AT 3:00 P.M. AT THE VILLAGE HALL, 835 MIDWAY DRIVE, WILLOWBROOK, DUPAGE COUNTY, ILLINOIS

1. CALL TO ORDER
2. ROLL CALL
3. DISCUSSION - RFQ FOR FINANCIAL ADVISORS
4. APPROVE - RFP FOR FINANCIAL ADVISORS
5. VISITOR BUSINESS
6. ADJOURNMENT

**WILLOWBROOK POLICE PENSION FUND**

**STATEMENT OF  
INVESTMENT POLICY**

## TABLE OF CONTENTS

Definition of Terms.....	3
Statement of Purpose.....	4
Investment Objectives.....	5
Distinction of Responsibilities.....	5
Prudence.....	6
Prohibited Transactions.....	6
Investment Guidelines.....	6
Performance Measurements.....	10
Controls.....	11
Diversification/Strategy.....	11
Long-Term Expected Rates.....	12
Collateralization.....	13
Custody, Registration & Safekeeping of Investments.....	14
Ethics and Conflicts of Interest.....	14
Indemnification.....	14
Reporting and Communication.....	14
Amendment.....	15
Conflict.....	15
Adoption.....	15

## **DEFINITION OF TERMS**

**Beneficiary** - person eligible for or receiving benefits from a pension fund.

**Book Entry Security** - securities that can be transferred from institution to institution using the federal electronic wire system, thus eliminating the physical transfer of certificates. Records are maintained on a computer system at the Federal Reserve.

**Collateral** - the pledging of a security to guarantee performance of an obligation.

**Commercial Paper** - unsecured promissory notes of corporations issued for 270 days or less.

**Fiduciary** - person entrusted with the control of assets for the benefit of others.

**Investment Manager** - an individual or organization that provides investment management services for a fee, either on a discretionary or nondiscretionary basis. Under Illinois law, an investment manager is considered a fiduciary with respect to the Fund.

**IL Funds (formerly known as the Illinois Public Treasurers' Investment Pool)** - a short-term money market fund for public funds in Illinois.

**Market Value** - the present price of a given security.

**B of A Merrill Lynch Corporate 1-10 Year Index** - benchmark index based upon publicly issued intermediate corporate debt securities.

**B of A Merrill Lynch Treasury Index** - benchmark index that quantifies the price and yield performance of all U.S. Treasury obligations with a maturity of at least one year and an outstanding par value of at least \$100 million. The securities comprising the index are rebalanced on a daily basis.

**B of A Merrill Lynch US Treasury/Agency Index**: The U.S. Government/Agency Index tracks the performance of the combined U.S. Treasury and U.S. Agency Markets. It includes U.S. dollar- denominated U.S. Treasury and U.S. Agency Bonds, issued in the U.S. domestic bond market, having at least one year remaining term to maturity, a fixed coupon schedule and a minimum amount outstanding of \$1 Billion for U.S. Treasuries and \$150 Million for U.S. Agencies. The index is re-balanced on the last calendar day of the month.

**Morgan Stanley Capital International (EAFE)** - Indices are based on the share prices of approximately 1,600 companies listed on stock exchanges in the twenty-two countries that make up the MSCI National Indices.

**Return** – Income and capital appreciation or depreciation on an investment.

**Russell 2000 Stock Index** - is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 11% of the Russell 3000 total market capitalization. The Index was developed with a base value of 135.00 as of December 31, 1986.

**Security** - any note, stock, bond, certificate of interest or certificate of deposit.

**Separate Account** - term used of variable annuities. Because the risk is borne by the investor in a variable annuity, the issuer may not commingle funds invested in the variable annuity with the general funds of the issuer.

**Standard & Poor's 400 Midcap Stock Index** – is comprised of 400 stocks chosen for market size, liquidity and industry group representation. All stocks within the S & P 500 are not eligible for inclusion.

**Standard & Poor's 500 Stock Index** - is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941-43 base period.

**Treasury Bill** - short-term debt obligation of U.S. government which will mature within one year of original issuance.

**Treasury Note** - intermediate debt obligation of U.S. government which will mature in 1 to 10 years of original issuance.

**Treasury Bond** - longer debt obligations of U.S. government which will mature in more than ten years of original issuance.

**Yield** - percentage measured by taking annual income from an investment and dividing by current market value.

## **STATEMENT OF PURPOSE**

The investment of pension funds is the responsibility of the members of the Board of Trustees of the Willowbrook Police Pension Fund (Pension Board). The purpose of this investment policy is to:

- Define and assign the responsibilities of all parties involved
- Establish the relevant investment horizon for which the Pension Fund will be managed
- Offer guidance and limitations to all Investment Managers regarding the investment of Pension Fund
- Communicate the Pension Board's policy views on management of pension funds to the public, participants, and beneficiaries of the Willowbrook Police Pension Fund (Fund)

- Establish long-term expected rates
- Establish a basis of evaluating investment results

In general, the purpose of this investment 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.

## INVESTMENT OBJECTIVES

The Pension Board has a fiduciary responsibility to discharge their duties with respect to the pension fund solely in the interest of the participants and beneficiaries as set forth in the Illinois Pension Code at 40 ILCS 5/1-109.

**Safety:** Safety of principal is the foremost objective of the Pension Fund. Each investment transaction shall seek to first ensure that large capital losses are avoided whether they are from securities defaults or erosion of market value.

**Return on Investments:** The Pension Board seeks to attain market rates of return on its investments consistent with constraints imposed by its safety objectives, cash flow considerations and Illinois state laws that restrict the placement of public funds.

**Maintenance of Public Trust:** All participants in the investment process shall seek to act prudently as custodians of pension funds. Investment officials shall avoid any transactions that might reasonably impair Fund participant's confidence in the Pension Board's ability to manage the Fund.

**Liquidity:** The assets shall be sufficiently liquid to meet the Fund's disbursement requirements for the payment of operating expenses and benefits.

## DISTINCTION OF RESPONSIBILITIES

Management of the investment program is the responsibility of the Pension Fund Board of Trustees. No person may engage in an investment transaction except as provided under terms of this policy established by the Pension Board. The Pension Board may appoint an investment manager (as defined in 40 ILCS 5/1 - 101.4) to assist in the management of the investment program. Any such appointment shall be made in accordance with the requirements of Section 1-113.5 of the Illinois Pension Code (40 ILCS 5/1-113.5). The investment manager shall acknowledge, in writing, that it is a fiduciary with respect to the Pension Fund. Any such written agreement shall be attached to this policy. The Pension Board will meet with the investment manager at least quarterly to review market conditions, review the investment portfolio, and determine investment strategy.

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.

### **PRUDENCE**

Investments shall be made with judgment and care, under circumstances prevailing, which a person of prudence, discretion and intelligence would exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return. The standards of prudence to be used by investment officials shall be the "Prudent Investor" and shall be applied in the context of managing the portfolio.

### **PROHIBITED TRANSACTIONS**

The members of the Pension Fund Board of Trustees, and all other employees, agents, officials, or representatives of the Pension Fund involved in the investment process shall avoid any transactions prohibited by federal, state, or local law, particularly as set forth in 40 ILCS 5/1-110 and 30 ILCS 235/2. A Fiduciary with respect to the Fund shall not:

- Deal with the assets of the Fund in their own interests or for their own account.
- In their individual or other capacity act in any transaction involving the Fund on behalf of a party whose interests are adverse to the interests of the Fund or the interests of its participants or beneficiaries.
- Receive any consideration for their own personal account from any party dealing with the Fund in connection with a transaction involving the assets of the Fund.

### **INVESTMENT GUIDELINES**

The Fund may invest in any type of investment instrument permitted by Illinois law, as described in Chapter 40 of the Illinois Compiled Statutes, 40 ILCS 5/1-113.1 through 113.4(a). Permitted investment instruments include, but are not limited to:

1. Interest bearing direct obligations of the United States of America.
2. 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.

3. 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" include:
  - a. The Federal National Mortgage Association
  - b. 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
  - c. Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation
  - d. Any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
4. Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, or by State of Illinois chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
5. Interest bearing bonds of the State of Illinois.
6. Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool, also known as the IL Fund, 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 law of the State of Illinois.
7. Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
8. 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; provided that the portfolio of the money market mutual fund is limited to:
  - a. Bonds, notes, certificates of indebtedness, treasury bills, or other securities that are guaranteed by the full faith and credit of the United States of America as to principal and interest.
  - b. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
  - c. Short term obligations of corporations organized in the United States with assets exceeding \$400,000,000, provided that i) the obligations mature no later than 180 days from the date of purchase, ii) at the time of purchase, the obligations are rated by at least 2 standard national rating services at one of their 3 highest

classifications, and iii) the obligations held by the mutual fund do not exceed 10% of the corporation's outstanding obligations.

9. Not to exceed 10% of the portfolio; any combination of separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stock, bonds or money market instruments or mutual funds that meet the following requirements:
  - a. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.
  - b. The mutual fund must have been in operation for at least 5 years.
  - c. The mutual fund must have total net assets of \$250,000,000 or more.
  - d. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.
10. Corporate bonds, managed through an investment advisor, and the bonds meet the following requirements:
  - a. The bonds must be rated as investment grade by one of the two largest rating services at the time of purchase.
  - b. If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.
11. A pension fund with net assets of \$2,500,000 or more, may invest a portion of its net assets, not to exceed 45% of the market value of the pension fund's net present assets as stated in its most recent annual report on file with the Illinois Department of Insurance, in separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stock, bonds or money market instruments or mutual funds that meet the following requirements:
  - a. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.
  - b. The mutual fund must have been in operation for at least 5 years.
  - c. The mutual fund must have total net assets of \$250,000,000 or more.
  - d. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.
12. A pension fund with net assets of \$5,000,000 or more, which has appointed an investment adviser under Section 1-113.5, may, through that investment adviser, invest in common and preferred stocks and mutual funds that meet all of the following requirements:

The stocks must meet all of the following requirements:

- a. The common stocks must be listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
- b. The securities must be of a corporation in existence for at least 5 years.
- c. The market value of stock in any one corporation may not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation may not exceed 5% of the total outstanding stock of that corporation.
- d. The straight preferred stocks or convertible preferred stocks must be issued or guaranteed by a corporation whose common stock qualifies for investment by the board.

The mutual funds must meet the following requirements:

- a. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.
- b. The mutual fund must have been in operation for at least 5 years.
- c. The mutual fund must have total net assets of \$250,000,000 or more.
- d. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.

The Fund's investment in the above equity investments shall not exceed 45% of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

13. A pension fund with net assets of \$10,000,000 or more, which has appointed an investment adviser under Sections 1-101.4 and 1-113.5, may, through that investment adviser, invest an additional portion of its assets in common and preferred stocks and mutual funds that meet all of the following requirements:

The stocks must meet all of the following requirements:

- a. The common stocks must be listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
- b. The securities must be of a corporation in existence for at least 5 years.
- c. The market value of stock in any one corporation may not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation may not exceed 5% of the total outstanding stock of that corporation.

- d. The straight preferred stocks or convertible preferred stocks must be issued or guaranteed by a corporation whose common stock qualifies for investment by the board.

The mutual funds must meet the following requirements:

- a. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.
- b. The mutual fund must have been in operation for at least 5 years.
- c. The mutual fund must have total net assets of \$250,000,000 or more.
- d. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.

The Fund's total investment in the items authorized under this Section shall not exceed 60% effective July 1, 2011 and 65% effective July 1, 2012 of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

## **PERFORMANCE MEASUREMENTS**

Performance will be calculated using professional standards as established by the Association for Investment Management Research. The Pension Board shall utilize the following benchmarks for evaluating the Fund's performance:

<u>Application</u>	<u>Benchmark</u>
Cash Equivalents	90 - day U.S. Treasury Bills
Fixed Income (excludes Corporate Bonds)	B of A Merrill Lynch Treasury/Agency Index
Corporate Bond	B of A Merrill Lynch 1-10 Year Corporate
Large Capitalization Equities	Standard & Poor's 500 Stock Index
Mid Capitalization Equities	Standard & Poor's 400 Stock Index
Small Capitalization Equities	Russell 2000 Stock Index
International Equities (includes developed and emerging markets)	Morgan Stanley Capital International Europe/Australias/Far East Index

The investment performance of total portfolios, as well as asset class components, will be measured against said benchmarks. The Trustees reserve the right to terminate a manager for any reason including, but not limited to, the following:

- Investment performance which is significantly less than anticipated given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
- Failure to adhere to any aspect of this statement of investment policy, including communication and reporting requirements.
- Significant qualitative changes to the investment management organization.

## CONTROLS

The Fund maintains its books and records in conformance with generally accepted accounting principles. The internal controls shall be established by the Treasurer and reviewed by the Pension Board and an independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the Pension Board.

## DIVERSIFICATION / STRATEGY

### Fixed Income:

The average maturity/duration of the portfolio will be managed based upon the current existing interest rate environment. Under most circumstances the maturity/modified duration of the portfolio will be maintained at approximately 5.0 years and will range from 1.0 years to 7.0 years. The investment manager may change the duration of the portfolio as the market conditions permit.

The allocation guidelines, by asset class, for the fixed income investments are as follows:

	Target <u>Allocation</u> <sup>3</sup>	Range of <u>Allocation</u>
Cash, Money Market, IPTIP accounts: <sup>1</sup>	0%	0 - 20%
Bank Certificates of Deposit: <sup>2</sup>	0%	0 - 25%
U.S. Treasury Securities:	10%	0 - 40%
U.S. Government Agency Securities:	40%	0 - 75%
U.S. Government Agency MBS's: <sup>4</sup>	0%	0 - 20%
Taxable Municipal Securities:	10%	0 - 20%
Corporate Bonds:	25%	0 - 50%
High-Yield Fixed Income Funds:	7.5%	0 - 10%
Emerging Market Fixed Income Funds	7.5%	0 - 10%

### Notes:

1. Cash will be maintained to manage cash flow of the Fund or as a transition asset.
2. Bank certificates of deposit will only be used if market returns are favorable. They will be used as a substitute for the Treasury and Agency portion of the portfolio.
3. Under normal market conditions the structure of the portfolio will be within these limits; however the portfolio manager may diverge from the above suggestions due to abnormal market conditions.
4. May be individual Mortgage Backed Securities (MBS) or MBS Funds

**Equities:**

Once the fund reaches the equity allocation approved by the Board and permitted by law, normal asset allocation range for equity portfolio allocation weightings should be:

	<u>Target Allocation</u>	<u>Range of Allocation</u>
U.S. Large Company Stocks	55%	15-75%
U.S. Mid-Sized Company Stocks	10%	0-20%
U.S. Small Company Stocks	10%	0-25%
International Stock Funds	15%	0-30%
Alternative Investment Funds *	10%	0-30%

\*Such as, but not limited to: Real Estate Funds, Natural Resources Funds, Infrastructure Funds. All funds used in this space will meet the State Statute guidelines for mutual funds.

Portfolio allocations should be rebalanced at least annually at the end of the fiscal year or when the portfolio allocation to equities rises above the limit established and confirmed at each board meeting.

**LONG-TERM EXPECTED RATES [as required by GASB 67]**
**Willowbrook Police Pension Fund**
**Long-Term Expected Rates\***

<u>Asset Class</u>	<u>Long-Term Expected Rate of Return</u>	<u>Long-Term Inflation Expectations</u>	<u>Long-Term REAL Rates of Return Expectations</u>
<b>Fixed Income</b>			
US Treasuries	4.30%	2.50%	1.75%
US Agencies	4.50%	2.50%	2.00%
Taxable Municipal Securities	4.50%	2.50%	2.00%
Corporate Bonds	5.00%	2.50%	2.50%
High-Yield Fixed Income	6.00%	2.50%	3.50%
Emerging Market Fixed Income	6.50%	2.50%	4.00%
<b>Equities</b>			
US Large Cap	7.50%	2.50%	5.00%
US Mid Cap	7.80%	2.50%	5.25%
US Small Cap	7.50%	2.50%	5.00%
International	7.80%	2.50%	5.25%

**Alternatives**

Real Estate	6.80%	2.50%	4.25%
Global Infrastructure	7.30%	2.50%	4.75%
Natural Resources	3.80%	2.50%	1.25%

\*The above data has been requested per GASB 67, MB Financial Bank has formulated this data in accordance with the Asset Management and Trust Division's proprietary research and analytical tools. These projections were most recently updated in September, 2014. And to the extent they will be updated in the future, it will be done as an addendum to this investment policy statement.

**COLLATERALIZATION** - It is the policy of the Fund to require that all deposits in excess of FDIC insurable limits (applies to bank Certificates of Deposit and other cash deposits) be secured by collateral in order to protect deposits from default.

1. Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:

a. U.S. Government Securities	= 110%
b. Obligations of Federal Agencies	= 115%
c. Obligations of the State of Illinois	= 115%
d. Local and Municipal Bonds rated "A" or better by Moody's	= 115%

The ratio of fair market value of collateral to the amount of funds secured shall be reviewed at least quarterly and additional collateral shall be requested when the ratio declines below the level required.

2. Safekeeping of collateral

- a) Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at the following locations:
  1. A Federal Reserve Bank or branch office.
  2. At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved. If physical securities are involved, at a third party depository in a suitable vault and insured against loss by fire, theft and similar causes.
- b) Safekeeping of collateral shall be documented by a written agreement approved by the Treasurer. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.
- c) Substitution or exchange of securities held in safekeeping as collateral may occur without prior written notice to the Treasurer provided that the market value of the replacement securities are equal to or greater than the market value of the securities

being replaced. The Treasurer shall be notified in writing within two days of all substitutions.

## **CUSTODY, REGISTRATION AND SAFEKEEPING OF INVESTMENTS**

1. Third party safekeeping is required for all securities owned by the Fund. To accomplish this, the securities shall be held in a trust department through book-entry at the Depository Trust Company.
2. The Board of Trustees may register the investments of the Fund in the name of the Pension Fund, in the nominee name of a bank or trust company authorized to conduct trust business in Illinois, or in the nominee name of the Illinois Public Treasurer's Investment Pool.
3. Safekeeping shall be documented by an approved written agreement. The agreement may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement. Fees for this service shall be mutually agreed upon by the Pension Board and the safekeeping bank.

## **ETHICS AND CONFLICTS OF INTEREST**

Any fiduciary with respect to the Fund shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## **INDEMNIFICATION**

The Pension Fund may indemnify and protect the trustees, staff and advisors against all damage claims and suits, including defense thereof, when damages are sought for negligent or wrongful acts alleged to have been committed in the scope of employment or under the direction of the trustees. However, the trustees, staff and advisors shall not be indemnified for willful misconduct and gross negligence.

## **REPORTING AND COMMUNICATION**

### **Reporting**

On a quarterly basis, the Treasurer, Finance Director and /or Investment Manager shall submit to the Pension board an investment report which shall describe the portfolio in terms of investment securities, maturity, cost, transactions and earnings for the current period. The Treasurer or Investment Manager shall also submit a comprehensive annual report on the investment program and activity.

### **Meeting Schedule**

The Board shall schedule periodic meetings for the purposes of portfolio and investment performance review. Special meetings may be called as needed to conduct the business of the

pension Board. Investment policies and Fund management guidelines will be reviewed by the Pension Board every year.

#### **Audit**

The Fund is subject to periodic examination by the Illinois Department of Insurance.

#### **Filing of Policy; Public Availability**

The Board shall file this policy with the Illinois Department of Insurance within thirty (30) days of its adoption. The Board shall make a copy of this Policy available to the public at the main administrative office of the Pension Fund.

#### **AMENDMENT**

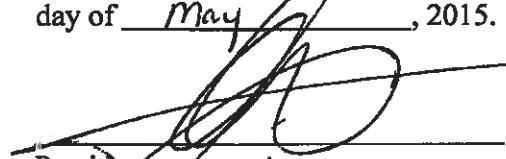
The Board shall review this Policy periodically to ensure its effectiveness in meeting the Pension Fund's needs for safety, liquidity, rate of return, and diversification, and its general performance. Any changes shall be presented to the Pension Board for its approval. Whenever this policy is amended, the Board shall file a copy of the new policy with the Illinois Department of Insurance within thirty (30) days.

#### **CONFLICT**

In the event of any conflict between this Policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, the Statutes and case law decisions shall govern.

#### **ADOPTION**

Adopted by the Willowbrook Police Pension Fund Board of Trustees, as amended, on this 21<sup>st</sup> day of May, 2015.

  
President

  
Trustee

  
Secretary

  
Trustee

  
Treasurer

  
Trustee

## **VILLAGE OF WILLOWBROOK POLICE PENSION PLAN**

### **REQUEST FOR PROPOSAL PROFESSIONAL INVESTMENT MANAGEMENT/CUSTODIAL SERVICES**

#### **Section I – Intent of Proposal**

The Village of Willowbrook Police Pension Plan (the “Plan”) is seeking proposals from interested qualified professionals to provide investment management services. The purpose of these services will be to provide professional advice and management of the assets of the Plan and serve as custodian of the assets of the Plan. Firms or institutions submitting proposals must meet the minimum eligibility requirements for financial institutions, investment advisors and investment managers as set forth in the Illinois Pension Code and with any other applicable state and federal laws for vendors doing business with a public entity. All related practices and procedures must comply with Illinois law and with the Plan's investment policy (attached). We are requesting each firm to furnish a proposal on the services to be provided and the applicable fees.

There is no expressed or implied obligation for the Plan, the Village of Willowbrook (the “Village”) or the Village of Willowbrook Police Pension Board (the “Board”) to reimburse firms for any expenses incurred in preparing proposals in response to this request.

#### **Section II- Description of Entity and Portfolio**

The Plan is a single-employer defined benefit pension plan, covering only Public Safety Officers (both active and retired) that are or were employed by the Village. The Plan provides eligible members and their beneficiaries with service disability and retirement benefits. It is governed by a five-member Board of Trustees consisting of two members elected from active members, one elected from retired members, and two appointed by the Mayor of the Village. The Director of Finance of the Village is the Treasurer of the Pension Board. The Village accounts for the Plan as a pension trust fund, and the Plan does not issue a stand-alone financial report. Benefit payments and other expenses for the Plan are administered by the Finance Department of the Village of Willowbrook.

The Village of Willowbrook Police Pension Plan has total assets of approximately \$19.6 Million allocated as follows: approximately 30% mutual funds, 26% equities, 20% U.S. government agency securities, 17% corporate bonds, and 7% negotiable certificates of deposit/money market/municipal bonds. The Plan's current investment manager is also the custodian of the assets of the Plan.

### **Section III- Scope of Services Required**

#### **A. General**

The Board requests proposals to manage the entire portfolio of the Plan's investments and serve as custodian. The Board may engage the services of a qualified investment manager in the area of public employees' pension fund management to provide discretionary investment advice and other related services as it deems in the best interest of the Police Pension Plan.

#### **B. Scope of Work**

All services provided must be in compliance with Illinois Statutes, specific to the Downstate Police Pension Funds and the Village of Willowbrook Police Pension investment policy. The Plan requires oral presentations of the Plan's performance to the Pension Board at each scheduled quarterly meeting. In addition, assistance with the annual review and updates to the Plan's investment policy is required. Finally, in accordance with the Plan's investment policy, the investment manager shall acknowledge, in writing, that it is a fiduciary with respect to the Village of Willowbrook Police Pension Fund.

#### **C. Reports**

The Village of Willowbrook Police Pension Plan requires the following:

- Monthly reports of investment activity and holdings with both cost and market value;
- An annual fiscal year report (May 1 – April 30) including the details of all investment transactions, preferably in Excel, for preparation of the Plan's annual report with the Illinois Department of Insurance;
- Bond ratings report, as of April 30, of all bonds included in the portfolio;
- Maturity report by type, as of April 30, of all fixed income securities included in the portfolio;
- Annual disclosures as required by GASB Statements No. 67 & 68, including but not limited to: the long-term expected rate of return by asset class as well as the methodology used to calculate it and the money-weighted rate of return on investments, both gross and net of investment expense; and
- Other reports that may be required as part of the Plan's annual audit.

### **Section IV- Timeline**

#### **A. Six (6) hard copy responses** to this RFP shall be submitted in a sealed envelope marked "Police Pension Investment Management Services" and delivered or mailed to the address below by the deadline:

Carrie Dittman, CPA  
Director of Finance  
Village of Willowbrook

835 Midway Drive  
Willowbrook, IL 60527

B. The deadline for responses is 4:00 pm on **April 7, 2017**. Faxed or emailed responses will not be accepted. **Late responses will not be accepted/will only be accepted if an extension is provided with 24 hours' notice.** The Board will review all proposals at its regular meeting on **April 19, 2017** and any interviews will be conducted by **May 31, 2017**. The Board anticipates making a final decision by **June 15, 2017**. The anticipated implementation date of the investment manager services is **July 1, 2017**. Any questions about this RFP may also be directed to Carrie Dittman via email at [cdittman@willowbrook.il.us](mailto:cdittman@willowbrook.il.us).

## Section V - Content of Proposals

- A. Cover Sheet: The cover sheet shall include the request for proposal's subject; the company name and address; the name and telephone number of a contact person; and date of the proposal.
- B. Profile of the Proposer:
  1. The year the firm was founded.
  2. The location of the office from which the work is to be done, and the number of professional staff (by staff level) employed at that office.
  3. A description of the range of activities performed by the office handling the engagement.
- C. Qualifications of Proposer:
  1. List current Illinois Police and Firefighter Pension Fund accounts managed by your firm; provide the total market value for the portion of each of these funds your firm manages; and include the number of years your firm has worked with each fund.
  2. List all Portfolio Managers, Relationship Managers and Administrators who would have primary responsibility for the management of this account, including name, title, and years of service with your firm; biographies of key personnel; and number of total accounts (including police and firefighter pension funds) under management for the firm, portfolio manager and those assigned to the administrator.
  3. Describe your investment philosophy, benchmarks used and methodology of your security selections.
  4. Provide a sample monthly holdings/activity report.
  5. Provide a sample performance report that is presented at quarterly pension board meetings.
  6. Provide sample disclosures in accordance with GASB Statement Nos. 67/68.

7. Submit performance data for the most recent one-year, three-year, five-year, seven-year and ten-year periods for three of the Police or Fire Pension Funds that you manage that are similarly sized to the Village of Willowbrook Police Pension Plan. Please provide equity and fixed income performance separately.

D. Custodial Arrangements: Proposals should discuss recommendations for custodianship of assets. How are you affiliated with this custodian? Do you receive any compensation from this custodian in regard to this client? Are any custodian services delegated to other firms? Itemize all costs to client should they choose to take your recommendations in regards to custody.

E. Fee Schedule: Proposals shall provide a description of the fee structure for each level or type of service being offered. Include your proposed fee structure, including fees for start-up, transfer of assets, annual fees, custodial fees, travel and any other fees.

F. References: Proposals shall include a minimum of three (3) references of Illinois governmental entities currently utilizing the firm for investment services. Please identify a contact name, address, and phone number for each reference. Include a description of the scope of services provided and duration of relationship.

G. Other Information

1. Provide a list of formal complaints, sanctions, or litigations against your firm or its principals/owners/officers within the last five years.
2. Provide a list of any and all affiliates with financial institutions, insurance companies, mutual funds, and/or brokerage firms with a description of each affiliation.
3. Indicate if your firm, its principals, and affiliates subscribe to the CFA Institute Code of Ethics and Standards of Professional Conduct.
4. Specify how your firm will handle the transfer of assets and what assistance you will provide.

## **Section VI -Selection of the Firm**

The Pension Fund will evaluate the proposals according to the quality and depth of the experience and level of knowledge of the interested firms, as well as their familiarity with applicable laws and procedures. The proposed fee will not be the primary factor in the evaluation of proposals leading to the selection of the top candidate. The Pension Fund reserves the right to reject any and all proposals and to solicit additional proposals.