

**Park Employees' & Retirement  
Board Employees' Annuity and  
Benefit Fund**

**Investment Policy Guidelines**

**June 2021**

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## **Definition of Terms**

### **"Fund"**

The term "Fund" refers to the assets of the Park Employees' & Retirement Board Employees' Annuity and Benefit Fund established pursuant to 40 ILCS 5/12 (see Addendum B).

### **"Custodian"**

The term "Custodian" refers to any financial institution responsible, *inter alia*, for safeguarding the Fund's financial assets, for arranging settlement of any purchases and sales of securities, collecting income from such assets, managing cash transactions, performing foreign exchange transactions when required, and providing regular reporting on all financial activities to the Fund.

### **"Fiduciary"**

The term "Fiduciary" shall have the meaning set forth in 40 ILCS 5/1-109.

### **"Fund Counsel"**

The term "Fund Counsel" refers to any firm of individuals or any individual that provides legal advice and information and assists the Trustees and Fund staff in fulfilling their responsibilities as Fiduciaries.

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

The term "Illinois Pension Code" shall mean 40 ILCS 5, as amended.

### **"Investment Consultant"**

The term "Investment Consultant", and as further defined in the Fund's Procurement Policy for Investment Consultants, shall mean any firm that acts as a Fiduciary and provides investment advice and information to the Trustees.

### **"Investment Manager", "Manager", or "Investment Adviser"**

The terms "Investment Manager", "Manager", or "Investment Adviser" shall have the meaning set forth in 40 ILCS 5/1-101.4 and further defined in the Fund's Procurement Policy for Investment Managers. In addition, an Investment Manager is any firm, fund, entity, partnership or individual that analyzes, selects, and executes the purchase or sale of securities, partnership interests, or investment units pursuant to a written agreement. The Investment Manager may manage the assets of the Fund in separate accounts held by a third party custodian, a commingled fund, a limited partnership or limited liability corporation, or a mutual fund.

### **"Investment Professionals"**

In this Policy, the term "Investment Professionals" refers to Investment Managers, the Investment Consultant(s), the Custodian, the Securities Lending Provider, and Third Party Proxy Voting Service Provider.

### **"Minority, Women, or Disabled- Owned Business"**

In this Policy, the term "Minority, Women, or Disabled-Owned Business" shall have the meaning set forth in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act set for in 30 ILCS 575, as it may be amended.

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

In this Policy, "Emerging Investment Manager" refers to the term defined in 40 ILCS 5/1-109.1(4). An Emerging Manager is a qualified investment adviser that manages an investment portfolio of at least \$10,000,000 but less than \$10,000,000,000 and is a "minority owned business" or "female owned business" or "business owned by a person with a disability" as those terms are defined in the Business Enterprise for Minorities, Females, and Persons with Disabilities Act, 30 ILCS 575, as it may be amended.

### **"Retirement Board" and "Trustees"**

In this Policy, the terms "Retirement Board" and "Trustees" shall have the meaning set forth in 40 ILCS 5/12-105 and 40 ILCS 5/12-156 .

### **"Fund Office Professional Staff"**

In this Policy, the term "Fund Office Professional Staff" shall mean the personnel employed by the Fund who have executive authority, including, but not limited to its Executive Director, Chief Financial Officer, and other personnel so designated by the Retirement Board.

### **"Securities Lending Provider"**

In this Policy, the term "Securities Lending Provider" shall mean any third party firm that lends the assets of the Fund to other parties in exchange for collateral and interest.

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

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

# **The Statement of Purpose**

## **The Fund**

The Fund is a governmental defined benefit pension plan established on June 21, 1919, and is governed by the Illinois Pension Code.

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

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

- Define and assign the responsibilities of all involved parties.
- Establish a clear understanding of all involved parties as to the investment goals and objectives of the Fund.
- Establish the relevant investment horizon for which the Fund assets will be managed.
- Establish a target asset allocation and re-balancing procedures.
- Establish a methodology and criteria for hiring and firing Investment Professionals.
- Offer guidance and limitations to all Investment Managers regarding the investment of the Fund.
- Establish a basis for evaluating investment performance, including gross and net returns.

## **Distinction of Responsibilities**

### **The Retirement Board and Fund Office Professional Staff Authority and Responsibilities**

The Retirement Board and Fund Office Professional Staff (“the Board and Staff”) will conduct their responsibilities with the care, skill, prudence, and diligence 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 may delegate its investment authority to an Investment Manager in accordance with the Illinois Pension Code and this Policy.

The Retirement Board will generally be responsible for the following:

1. Complying with applicable laws, regulations, and rulings.
2. Selecting all qualified Investment Professionals.
3. Monitoring and evaluating investment performance and compliance with this Policy.
4. Reviewing and suggesting changes, as needed, to this Policy.
5. Establishing and reviewing the appropriateness of the Fund's asset allocation policy.
6. Taking action in accordance with this Policy.

The Fund Office Professional Staff will generally be responsible for the following:

1. Complying with applicable laws, regulations, and rulings.
2. Reviewing and monitoring periodic reports prepared by the Investment Consultant and the Investment Managers.
3. As directed by the Retirement Board, authorizing and directing the Investment Managers to liquidate and transfer moneys, as needed, to pay pension benefits, Fund expenses, or to fund investments or other uses.
4. Reviewing and executing documents on behalf of, and as authorized by, the Retirement Board.
5. Meeting with Investment Managers, as appropriate.
6. Investigating investment opportunities as directed by the Retirement Board.

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

Investment Managers have the following responsibilities:

1. Voting proxies on any securities held, unless a Third Party Proxy Voting Service Provider has been retained by the Fund. All proxies will be voted exclusively for the best interests of the Fund and their participants. Investment Managers will maintain written policies for proxy voting and keep a proper record of all proxies to which the Fund is entitled. A written report shall be provided annually.
2. Providing written reports to the Retirement Board, the Fund Office Professional Staff and the Investment Consultant on at least a quarterly basis detailing performance (gross and net of fees) for the most recent period, as well as the current outlook of the capital markets specific to the Fund's mandate for such Investment Manager
3. Attending Retirement Board meetings or other meetings as directed by the Retirement Board or Fund Office Professional Staff.
4. Notifying the Retirement Board and the Investment Consultant on a timely basis of any material changes in the ownership, organizational structure, investment strategy, portfolio design, or configuration of the investment team.
5. All Investment Managers will exercise discretion within the parameters set forth in these guidelines for the portfolio(s) they manage on behalf of the Fund (see Addendum A).

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

The Investment Consultant shall generally be responsible for the following:

1. Complying with applicable laws, regulations, and rulings.
2. Attending Retirement Board meetings or other meetings as directed by the Retirement Board.
3. Maintaining databases of qualified Investment Managers, Custodians, Securities Lending Providers, and Third Party Proxy Voting Service Providers.
4. Maintaining databases of qualified Investment Managers that are Minority, Women, or Disabled-Owned Businesses.
5. Calculating investment performance (gross and net of fees) and reconciling that performance with the Custodian and the Investment Managers.
6. Providing written reports that summarize the performance and analytics of the Fund's investments to the Retirement Board and Fund Office Professional Staff no later than 45 days after of the end of each calendar quarter.

7. Monitoring and evaluating investment performance and compliance with this Policy and notifying the Retirement Board of any Investment Professional's non-compliance.
8. Meeting with the Fund's Investment Managers on an as needed basis.
9. If requested, the Investment Consultant will assist the Retirement Board with the search and selection of Custodians, Securities Lending Providers, Third Party Proxy Voting Service Providers, and Investment Managers.
10. Reporting its long-term assumptions on the capital markets for the purpose of evaluating the Fund's asset allocation policy and establishing the Retirement Board's expectations of future Fund investment performance.
11. Establishing and reviewing the appropriateness of the Fund's asset allocation policy.
12. Reviewing and suggesting changes, as needed, to this Policy.

The Investment Consultant retained by the Retirement Board 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 Retirement Board may retain a Custodian for the following:

1. Holding and safeguarding the assets of the Fund;
2. Preparing and filing timely claims relating to any bankruptcy or class action for which the Fund is eligible to file a claim;
3. Collecting the interest, dividends, distributions, class action or bankruptcy claim settlements, redemptions or other amounts due;
4. Providing monthly reporting to all necessary parties;
5. Forwarding any proxies on a timely basis to the Investment Manager(s), the Retirement Board, or a Third Party Proxy Voting Service Provider;
6. Sweeping daily all interest and dividend payments and any other un-invested cash into a short-term money market fund for investment;
7. Attending Retirement Board meetings or other meetings as directed by the Retirement Board or Fund Office Professional Staff;
8. Calculating investment performance; and
9. Other duties as detailed in any agreement with the Custodian.



### **The Securities Lending Provider's Authority and Responsibilities**

The Retirement Board may utilize a Securities Lending Provider to create income through the lending of some or all assets of the Fund. Securities Lending Providers will provide reports on at least a monthly basis to all necessary parties. The Securities Lending Provider will be responsible, *inter alia*, for ensuring adequate collateral will be provided to the Fund for the securities that are lent and that the investment income generated by the securities lending program is fair and reasonable. Furthermore, the Securities Lending Provider shall return all lent securities to the Fund's appropriate account before any transactions on the lent securities are executed, in accordance with its contract. The Securities Lending Provider retained by the Retirement Board will exercise discretion within the parameters set forth in these guidelines on behalf of the Fund (see Addendum A).

### **Investment of Cash Balances**

**The Retirement Board may engage an overlay account manager to invest any short-term cash balances. Cash balances in individual accounts will be securitized to the relevant manager benchmark, and cash held in the Fund's cash account will be securitized to the index or indices agreed to periodically by the Retirement Board.**

## **Investment Objectives**

### **Return Objectives**

The primary return objectives of the Fund are to:

1. preserve the safety of principal, and
2. earn the highest possible total net return consistent with prudent levels of risk.

To achieve these goals, the assets of the Fund have been allocated to meet its actuarial assumed rate of return (see Addendum B). The performance objective for the Fund is to exceed, after investment management fees, a customized blended benchmark. To evaluate success, the Retirement Board will compare the performance of the Fund to the actuarial assumed rate of return and the performance of a custom benchmark. This benchmark represents a passive implementation of the historical investment policy targets and it is re-balanced regularly.

### **Risk Tolerance**

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

1. 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 Fund,
2. to tolerate appropriate levels of downside risk relative to the Fund's actuarial assumed rate of return (see Addendum B). In doing so, the Retirement Board will attempt to minimize the probability of underperforming the Fund's actuarial assumed rate of return over the long-term and to minimize the shortfall in the event such underperformance occurs,
3. to accept prudent differences in the asset allocation structure of the Fund relative to the broad financial markets and peer groups, and
4. to tolerate certain levels of short-term underperformance by the Investment Managers under appropriate circumstances.

## **Asset Allocation and Re-Balancing Procedures**

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

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

## Asset Allocation/Rebalancing

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

### TARGET ALLOCATION

\*May not equal 100%

Asset Class	Target	Minimum*	Maximum*
Core Bonds	14.50%	7.00%	23.00%
Opportunistic Bonds	3.00%	0.00%	6.00%
<b>Total Fixed Income</b>	<u>17.50%</u>	<u>12.50%</u>	<u>22.50%</u>
All-Cap Core Equity	12.50%	5.50%	19.50%
Large-Cap Value Equity	5.00%	2.00%	8.00%
Mid-Cap Core Equity	3.00%	1.00%	7.00%
Small/Mid-Cap Value Equity	8.00%	2.00%	12.00%
<b>Total U.S. Equity</b>	<u>28.50%</u>	<u>18.50%</u>	<u>38.50%</u>
Large-Cap Non-U.S. Equity	13.00%	6.00%	19.00%
Small-Cap Non-U.S. Equity	5.00%	2.00%	8.00%
Emerging Markets Equity	2.00%	0.00%	5.00%
<b>Total Non-U.S. Equity</b>	<u>20.00%</u>	<u>10.00%</u>	<u>30.00%</u>
Hedge Funds	<u>7.00%</u>	<u>0.00%</u>	<u>12.00%</u>
Real Estate	<u>10.00%</u>	<u>5.00%</u>	<u>15.00%</u>
Infrastructure	<u>10.00%</u>	<u>0.00%</u>	<u>13.0%</u>
Private Equity	<u>7.00%</u>	<u>0.00%</u>	<u>15.00%</u>
Cash	<u>0.00%</u>	<u>0.00%</u>	<u>5.00%</u>
<b>TOTAL</b>	<u>100.00%</u>		

The Retirement Board, with the assistance of the Investment Consultant, will review the asset allocation of the Fund on a regular and appropriate basis (at least once every three years) to ensure that it meets the risk/return objectives of the Fund. Furthermore, the Retirement Board, with the assistance of the Investment Consultant, will review the asset allocation of the Fund and will re-balance/adjust the Fund as necessary in order to comply with Policy.

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

## **Investment Manager Selection**

No Investment Manager shall be hired who is a party in interest or who has not, by its record and experience, demonstrated its fiduciary responsibility, its investment expertise, its investment experience, and its capacity to undertake the mandate for which it is being considered. Investment Managers are required to comply with the following:

1. Acknowledge in writing that it is a fiduciary to the Fund.
2. Be at least one of the following:
  - A. Registered as an investment adviser under the federal Investment Advisers Act of 1940 (15 U.S.C. 80b-1, et seq.);
  - B. Registered as an investment adviser under the Illinois Securities Law of 1953;
  - C. A bank, as defined in the Investment Advisers Act of 1940;
  - D. An insurance company authorized to transact business in Illinois;
  - E. Any other such entity that may be provided for in Section 1-101.4(4) of the Illinois Pension Code; or
3. Manage the assets of the Fund in an Asset Allocation Category pursuant to the terms of an agreement with a limited liability corporation, limited liability partnership, commingled investment fund, collective investment fund, or such other similar investment vehicle.
4. Acknowledge that it can comply with these Investment Policy Guidelines and the terms of the Fund's standard Investment Manager Agreement.

The Retirement Board, with the assistance of the Investment Consultant, will conduct due diligence before the appointment of all Investment Managers.

## Investment Manager Communication and Evaluation Terminology

The following terminology has been developed to facilitate efficient communication between the Investment Managers, Investment Consultant, and the Fund Office Professional 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 Retirement Board.

	<u><b>STATUS</b></u>	<u><b>DESCRIPTION</b></u>
1.	<b><i>"In Compliance"</i></b>	The Investment Manager states it is acting in accordance with the Investment Policy Guidelines.
2.	<b><i>"Alert"</i></b>	The Investment Manager is notified of a problem in performance (usually related to a benchmark or volatility measure), a violation of this Policy, a change in investment characteristics, an alteration in management style or key investment professionals, and/or any other irregularities. The Investment Manager will be completing a monthly compliance checklist from the Investment Consultant to ensure thorough oversight.
3.	<b><i>"On Notice"</i></b>	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.
4.	<b><i>"Termination"</i></b>	The Retirement Board has decided to terminate the Investment Manager. The Investment Manager is notified and transition plans are in place.

# Operational Guidelines

## Investment Policy Guidelines for the Investment-Grade Bond Manager(s)

This document contains the guidelines and restrictions that apply to the investment-grade bond Manager(s) of the Pension Fund.

### Permissible Investments

1. No single issuer should comprise more than 5% of the market value of the Manager's portfolio, as determined at the time of purchase. The only exception is for securities issued by the U.S. Treasury, its agencies, instrumentalities or government sponsored entities (such as FNMA and FHLMC). A single exception security should comprise no more than 10% of the market value of the Manager's portfolio, as determined at the time of purchase.
2. Up to 15% of the market value of the Manager's portfolio may be invested in securities rated below investment grade. If an investment grade security already held in the portfolio is downgraded to below investment grade and a breach of the 15% limit occurs, prompt notification to the Fund and to the Investment Consultant is required concerning the Manager's intent to hold the issue going forward. The minimum average portfolio quality shall be AA. Use the following methodology to determine compliance with quality:
  - If rated by Moody's/Standard & Poor's/Fitch, use middle ratings.
  - If only rated by two of the aforementioned agencies, use lower rating.
  - If only rated by one of the aforementioned agencies, use that rating.
3. In aggregate, investment in convertible, convertible preferred and preferred securities (including trust preferreds) may not exceed 10% of the market value of the portfolio, as determined at the time of purchase.
4. Common stock may be held only if it is acquired as a result of a financial restructuring, bankruptcy or from an exchange or conversion of a permissible security held in the portfolio. Manager will provide notification concerning the intent to hold the issue going forward.
5. Investments in Rule 144a securities are permitted if (A) the securities have registration rights requiring the issuer to swap the securities for fully registered publicly traded bonds, or (B) absent registration rights, (i) the manager believes the securities to be as liquid as comparable publicly registered bonds, and (ii) the issuer or the issuer's parent has publicly traded equity, or if the issuer or the issuer's parent does not have publicly traded equity they are required by prospectus to make quarterly and annual financial statements available to bondholders that are substantially similar to the reporting requirements of a public company. Rule 144a securities may not make up more than 20% of the Manager's overall portfolio allocation after accounting for price appreciation.

6. The average effective duration of the portfolio is not to vary more than +/-20% of the duration of the portfolio's benchmark index.
7. No use of private placements, venture capital, margin, leverage, securities not publicly traded, options, commodities, short sales, interest only, principal only, stripped mortgage-backed securities, forward contracts, future contracts, and any other high risk/leveraged derivative investments unless written permission is expressly granted by the Trustees and unless otherwise noted.
8. Permission is granted by the Trustees for the use of Treasury Futures to be used solely for the purpose of adjusting the portfolio's duration to hedge against interest rate risk. The maximum limit for Treasury Futures is 25% of the portfolio on a notional value basis. These derivative instruments are allowed to the extent they are used in a manner that does not materially increase the total volatility of the portfolio, nor relate to speculative activities. At no time may any derivative be utilized to leverage the portfolio for speculation.
9. If any of the parameters described above are breached as a result of market movements, capital additions, or withdrawals, the Manager shall have a reasonable period, not to exceed thirty (30) days, to bring the portfolio into compliance with the applicable investment guidelines. The Manager shall provide written notification of a breach and must receive written permission to permit such a breach to continue past this 30-day window.

### **Investment Objective**

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

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

This document contains the guidelines and restrictions that apply to the separately-managed U.S. equity Manager(s).

### **Permissible Investments**

1. The Manager may hold up to 5% of its portfolio in a money market and/or cash. The only exception to this rule is during trading activity, which can only be maintained for very short time periods, i.e. less than 30 days.
2. Options, financial futures, private placements, restricted stock, issues related to the Investment Manager, or venture capital may not be purchased. The purchase of securities on margin and short selling is prohibited.
3. No investments should be made in securities not traded on an U.S. exchange or traded in U.S. dollars.
4. The combined holdings of preferred stocks and convertible bonds shall not exceed 5% of the Manager's portfolio.
5. No single security in the Manager's portfolio, including Exchange Traded Funds, will comprise more than 10% of the portfolio at market.
6. At no point in time should the aggregate position (within each equity Manager's portfolio in the Fund) in any company exceed 10% of the fair market value of the total shares outstanding.

### **Investment Objective**

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



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

This document contains the guidelines and restrictions that apply to the separately-managed non-U.S. equity Manager(s).

### **Permissible Investments**

1. The Manager(s) are permitted to invest its account in the common stock of non-U.S. corporations (or securities convertible into common stock) registered in countries represented in the MSCI EAFE index as defined in **Addendum A**.
2. The Manager(s) is permitted to invest up to 20% of the Manager's portfolio in liquid securities registered in countries that are not included in the MSCI EAFE Index.
3. The use of currency hedging is allowed only for defensive purposes.
4. A single security may not comprise more than 7.5% of the Manager's overall portfolio allocation after accounting for price appreciation. If a security exceeds 7.5% of the portfolio's value based upon a case of price depreciation, the security does not have to be sold immediately. The Retirement Board and the Investment Consultant must be promptly informed of the Manager's plan of action in relation to the security and the case of price depreciation must be established.
5. Unless otherwise directed, the Investment Manager may only hold up to 10% of its portfolio in a money market fund, cash vehicle, or cash-equivalent vehicle.

### **Investment Objective**

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

## **Investment Policy Guidelines for Commingled Funds**

This section reflects the overall guidelines and objectives that apply to the Investment Manager of any commingled fund Investment Managers (see Addendum A).

### **Permissible Investments**

1. The Fund is governed by the guidelines and restrictions contained in its participation agreement or the commingled fund's operating documents.

### **Investment Objective**

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

## **Investment Policy Guidelines for the Limited Partnerships**

This section reflects the overall guidelines and objectives that apply to any limited partnership Investment Managers (see Addendum A).

### **Permissible Investments**

1. The Fund is governed by the guidelines and restrictions contained in the Limited Partnership Agreement and in the Limited Partnership's Private Placement Memorandum and Subscription Agreement.

### **Investment Objective**

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

## **Broker/Dealer Trading Policy**

### **Broker/Dealer Trading Policy**

The Retirement Board encourages the use of broker/dealer firms that are Minority, Women, or Disabled-Owned Businesses, especially those based in the Metropolitan Chicago Area and the State of Illinois.

To assist the Fund in implementing this Broker/Dealer Trading Policy, the Retirement Board is encouraging all of the Fund's Investment Managers to give consideration to Minority, Women, or Disabled-Owned Businesses when executing trades for the Fund. Each Investment Manager is responsible for implementing trading policies that result in the best price, execution, and quality of service, while minimizing risk (acceptable financial integrity/strength of any broker dealer selected). This Broker/Dealer Trading Policy does not in any way amend or change any part of the investment management agreements with Investment Managers. However, the Retirement Board is encouraging all Investment Managers to assist the Fund in implementing the State of Illinois' public policy to provide an opportunity for those broker/dealers referenced above, who are capable of providing best execution, to be given the opportunity to do so.

1. Active Domestic Equity Separate Account Investment Managers: Subject to best execution, each Investment Manager should direct at least thirty five percent (35%) of total commission dollars, on an annual basis, to Minority, Women, or Disabled-Owned Business enterprises, preferably with an office located within the City of Chicago or in the State of Illinois. Trades are to be executed at best price and execution, and where possible, execute trades not to exceed 5.0 cents/share. Step-out-trades will not be counted towards trades with a Minority, Women, or Disabled-Owned Business enterprise.
2. Fixed Income Separate Account Investment Managers: Subject to best execution, each Investment Manager shall direct commission dollars as follows:
  - A. 50% of the total business shall be directed to brokerage firms with an office located within the City of Chicago or the State of Illinois.
  - B. Of the business directed to brokerage firms with an office located within the City of Chicago or the State of Illinois, 25% shall be directed to Minority, Women, or Disabled-Owned Business enterprises.
  - C. Make every effort to direct 25% of the non-Illinois business to Minority, Women, or Disabled-Owned Business enterprises.

3. Active International Equity Separate Account Investment Managers: Subject to best execution, each Investment Manager should attempt to direct trades to Minority, Women, or Disabled-Owned Business enterprises, preferably Illinois based. Trades are to be executed at best price and execution.

Whether using an Illinois firm or otherwise, these trades should be identified in the Investment Manager's quarterly report to the Retirement Board, specifying the dollar amount traded with the individual broker/dealer and further identifying which brokers utilized are a Minority, Women, or Disabled-Owned Business and the dollar amount traded with each firm. When best price and execution cannot be realized through this policy, the Fund requests that the Investment Manager in its quarterly report identify the reasons the goal could not be met. The Investment Manager shall also be required to provide all Investment Manager Disclosures required by its Investment Manager Agreement.

## **Emerging and Minority Investment Manager Retention Policy**

In accord with 40 ILCS 5/1-109.1(4) and 40 ILCS 5/1-109.1(9), the Fund encourages the utilization and development of Emerging and Minority (MWDBE) Investment Managers.

To assist the Fund in implementing this Emerging and Minority Investment Manager Retention Policy, the Retirement Board has established the following goals as a percentage of total plan assets for the retention of Emerging and Minority Investment Managers in the following asset classes set forth below:

### **Goals for the Utilization of Emerging Investment Managers:**

By Asset Class:

<b>Asset Class</b>	<b>As a Percentage of Total Assets</b>
<b>Total Fixed Income</b>	4% to 7%
<b>Total Equity</b>	2% to 6%

By Ownership:

<b>Investment Manager Classification</b>	<b>As a Percentage of Total Assets</b>
<b>Minority Owned Business Entity</b>	5% to 10%
<b>Female Owned Business Entity</b>	2% to 5%
<b>Disabled Owned Business Entity</b>	0% to 2%

### **Goals for the Utilization of Minority Investment Managers:**

By Ownership

<b>Investment Manager Classification</b>	<b>As a Percentage of Total Assets</b>
<b>Minority Owned Business Entity</b>	5% to 10%
<b>Female Owned Business Entity</b>	2% to 5%
<b>Disabled Owned Business Entity</b>	0% to 2%

In the event that the allocation of assets to Emerging and Minority Investment Managers falls below the minimum allocation due to a termination of an Emerging or Minority Investment Manager, the Retirement Board will conduct a search to identify a suitable replacement as soon as is reasonably practical.

To ensure that the implementation of this Emerging and Minority Investment Manager Retention Policy is as inclusive as possible, the Retirement Board has established the foregoing goals as a percentage of total Fund assets placed with Emerging and Minority Investment Managers. The target allocations are based on the number of known opportunities in established databases. If an

Emerging or Minority Investment Manager has a split designation, the Retirement Board will determine the classification in which they will be included.

These goals will be reviewed annually.

If an Emerging or Minority Investment Manager meets the criteria established by the Retirement Board and the Investment Consultant for a specific search then the Emerging or Minority Investment Manager shall receive an invitation from the Retirement Board to present for final consideration. In the case where multiple Emerging or Minority Investment Managers meet the criteria of the search, the Retirement Board may choose the most qualified firm or firms to present to the Retirement Board.

### **MWDBE Disclosures by Investment Consultant(s)**

Consistent with the requirements of Section 1-113.22 of the Illinois Pension Code, no later than each January 1st, the Investment Consultant(s) shall disclose to the Retirement Board:

1. The total number of searches for investment services made by the Investment Consultant in the prior calendar year;
2. The total number of searches for investment services made by the Consultant in the prior calendar year that included: (a) a Minority-Owned Business, (b) a Women-Owned Business, or (c) a Business Owned by a Person with a Disability;
3. The total number of searches for investment services made by the Investment Consultant in the prior calendar year in which the Consultant recommended for selection (a) a Minority-Owned Business, (b) a Women-Owned Business, or (c) a Business Owned by a Person with a Disability;
4. The total number of searches for investment services made by the Investment Consultant in the prior calendar year that resulted in the selection (a) a Minority-Owned Business, (b) a Women-Owned Business, or (c) a Business Owned by a Person with a Disability; and
5. The total dollar amount of investment made in the previous calendar year with (a) a Minority-Owned Business, (b) a Women-Owned Business, or (c) a Business Owned by a Person with a Disability that was selected after a search for investment services performed by the Investment Consultant.

## 6. **Investment Policy Modification and Revision**

### **Policy Modification**

The Retirement Board may amend this Policy at any time. The Retirement Board, with the assistance of the Investment Consultant, will review this Policy at least once every three years. Key environmental or operational occurrences, which could result in a Policy modification, include:

1. significant changes in expected patterns of the Fund's liability stream,
2. impractical time horizons or changes,
3. changes in the Fund's actuarial return
4. convincing arguments for change presented by Investment Professionals
5. legislation,
6. new investment issues found to be important but not currently covered by the Policy.

If changes are made to this Policy, the Retirement Board shall file a copy of the new policy with the Illinois Department of Insurance within 30 days as required by Sections 1-113.6 and 1-113.17 of the Illinois Pension Code.



## Addendum A - Defining the Investment Professionals and Benchmark Indexes

<u>Asset Class</u>	<u>Investment Manager</u>	<u>Account Type</u>	<u>Benchmark Index</u>
Core Bonds	MacKay Shields	Separate Account	Barclays Aggregate
Core Bonds	LM Capital	Separate Account	Barclays Aggregate
Opportunistic Bonds	EnTrust	Limited Partnership	Barclays Universal
Opportunistic Bonds	National Investment Services	Commingled Fund	Barclays Aggregate
All-Cap Core U.S. Equity	NTGI - Wilshire 5000 Index	Commingled Fund	Wilshire 5000
Large-Cap Value Equity	Great Lakes	Separate Account	Russell 1000 Value
Mid-Cap Core Equity	NTGI - S&P 400 Index	Commingled Fund	S&P 400
Small/Mid-Cap Value Equity	Ariel	Separate Account	Russell 2500 Value
Large-Cap Non-U.S. Equity	NTGI - ACWI Ex-US Index	Commingled Fund	MSCI ACWI Ex-US
Large-Cap Non-U.S. Equity	Ativo	Commingled Fund	MSCI EAFE
Large-Cap Non-U.S. Equity	Denali Advisors	Commingled Fund	MSCI EAFE
Small-Cap Non-U.S. Equity	William Blair	Mutual Fund	MSCI EAFE Small-Cap
Emerging Markets Equity	NTGI - Emerging Markets Index	Commingled Fund	MSCI Emerging Markets
Hedged Equity	Parametric	Limited Partnership	HFRX Hedged Equity, S&P 500
Core Real Estate	UBS - Trumbull Property Fund	Commingled Fund	NCREIF ODCE
Core Real Estate	UBS - Trumbull Property Income Fund	Commingled Fund	NCREIF ODCE
Core Plus Real Estate	Principal	Limited Partnership	NCREIF ODCE
Infrastructure	IFM	Limited Partnership	CPI + 4%
Infrastructure	Ullico - Infrastructure	Limited Partnership	CPI + 4%
Private Equity	Pine Bridge	Limited Partnership	Wilshire 5000 Index + 3%
Private Equity	HarbourVest	Limited Partnership	Wilshire 5000 Index + 3%
Private Equity	Mesirow	Limited Partnership	Wilshire 5000 Index + 3%
Private Equity	NYLCAP	Limited Partnership	Wilshire 5000 Index + 3%

<u>Investment Professional</u>	<u>Service Provider</u>
Custodian	Northern Trust
Investment Consultant	Marquette Associates, Inc.
Securities Lending Provider	Northern Trust

## Addendum B – Summary of Plan Information

**Plan Name:** Park Employees' & Retirement Board Employees' Annuity and Benefit Fund

**Type of Plan:** Defined Benefit

**Plan Adoption Date:** June 21, 1919

**Plan Year-End Date:** December 31

**Plan Number:** 001

**Tax Identification Number:** 36-6002135

**Assumed Actuarial Rate of Return:** 7.25%

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

This Policy document was adopted by the Retirement Board for the Park Employees' & Retirement Board Employees' Annuity and Benefit Fund on June 17, 2021.

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

The firm has received this copy of the Fund's Investment Policy. The firm has studied the Investment Policy and states that the firm can both a) abide by its restrictions and b) fulfill its goals and expectations over the timetables set forth in the Policy.

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Firm Name

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Investment Professional

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Title



## **Addendum D – Proxy Voting Guidelines**

The Retirement Board has not adopted any proxy voting guidelines.

### ***Addendum E: Sustainable Investing Principles***

In accordance with 40 ILCS 5/1-113.6 and 40 ILCS 5/1-113.17, the Board will regularly consider material, relevant, and decision-useful sustainability factors, within the bounds of financial and fiduciary prudence, in evaluating investment decisions. Such factors include, but are not limited to: (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors. The Fund, in conjunction with its Investment Consultant, will perform periodic evaluations of those factors to ensure the factors are relevant to the investment portfolio and the evolving marketplace.