

Village Of Streamwood Police Pension Fund

**STATEMENT OF
INVESTMENT POLICY,
OBJECTIVES AND
GUIDELINES**

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General Information

The Village Of Streamwood, Illinois, Police Pension Fund is a defined benefit contributory pension plan, created under Article 3 of the Illinois Pension Code (40 ILCS 5/3-101 et seq.) The Fund was created for the purpose of providing retirement and/or disability benefits to policemen, their surviving spouses and dependents. Contributions to the plan come from active duty policemen and from taxes upon the City. This Statement of Investment Policy, Objectives and Guidelines applies to all assets of the Village Of Streamwood Police Pension Fund. All Investment Consultant(s), Investment Manager(s), and the Village Of Streamwood Pension Fund Board of Trustees, shall affix their signatures on the last page hereof and hereby acknowledge that

- (a) they have read, understood, and agreed to adhere to this statement;
- (b) they are a "fiduciary" with respect to the Fund as provided under Illinois law including Section 1-101.2 of the Code;
- (c) investments of the Fund are restricted to those investments permitted under the provisions of the Code applicable to the Fund, including Section 1-113 thereof; and
- (d) all investments shall be made in the name of the Pension Fund and shall be clearly held and accounted for to indicate ownership by the Pension Fund.

Definitions

The following terms used herein have the meanings stated below.

1. "Code" shall mean the "Illinois Pension Code" (40 ILCS 5/3-101 et seq.)
2. "Plan" shall mean the pension plan of Village Of Streamwood Police Pension Fund. Plan shall also mean the Fund as defined herein.
3. "Fund" shall mean the Village Of Streamwood Police Pension Fund. Fund shall also mean the Plan as defined herein.
4. "Pension Fund Board of Trustees" shall refer to the governing body established to administer and control the Fund as specified in Section 3-128 of the Code.
5. "Fiduciary" shall mean shall mean any individual or group of individuals as defined in the Illinois Pension Code, 40 ILCS 5/1-101, et seq. as may be applicable to investments under Article 3 (Police Pension Code).including, but not limited to, Investment Consultant(s), Investment Manager(s), and Custodian(s) as defined herein.
6. "Investment Manager" shall mean an "Investment Manager" as defined the Section 1-101.4 of the Code and shall include any person employed to manage the investment of all or part of the Plan's assets.

7. "Investment Consultant" shall mean any person employed to provide advisory services, including advice on investment objectives, asset allocation, manager search, and performance monitoring.
8. "Custodian" shall mean any person employed to maintain possession of securities or funds owned by the plan as custodian always identified as Custodian(s) of the Fund defined herein subject to the direction of the Pension Fund Board of Trustees. "Securities" shall refer to the marketable investment securities which are defined as acceptable in this Statement.
9. "Investment Horizons" shall be the time period over which the investment objectives, as set forth in this Statement, are expected to be met. The investment horizon for this Fund is in excess of 10 years. The investment horizons may differ for individual equity and fixed income investments.
10. "Statement" shall mean this Statement of Investment Policy, Objectives and Guidelines.

Primary Purpose of this Statement

This Statement is set forth by the Pension Fund Board of Trustees in order to achieve the following primary purposes:

1. Define and assign the responsibilities of all involved parties.
2. Ensure that Fund assets are managed in accordance with the Illinois Pension Code (40 ILCS 5/1-101 et seq. and 5/1A-101 et seq.) and other laws as may be applicable to investments under Article 3 of the Code (40 ILCS 5/3-101 et seq.), and as such statutes may be amended hereafter.
3. Establish a clear understanding for all involved parties of the investment goals and objectives for Plan assets.
4. Offer guidance and limitations to all Investment Managers regarding the investment of Plan assets.
5. Establish a basis for evaluating investment results.
6. Establish the relevant Investment Horizons for which Plan assets will be managed.

Responsibilities of the Pension Fund Board of Trustees

The Pension Fund Board of Trustees is charged by law with the responsibility for the management of the Plan's assets. As provided in Section 1-113.1 of the Code, the Pension Fund Board of Trustees shall discharge its duties solely in the interest of the Plan, with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like

character with like aims. The specific responsibilities of the Pension Fund Board of Trustees relating to the investment management of the Plan's assets include, but are not limited to, the following:

1. Adhering to the guidelines as defined in the Illinois Pension Code.
2. Projecting the Plan's financial needs, and communicating such needs to the Investment Consultant and Investment Managers as the Pension Fund Board of Trustees deems appropriate.
3. Determining the Plan's risk tolerance and Investment Horizons, Investment Policy, and communicating these to other appropriate parties.
4. Establishing reasonable and consistent investment objectives and policies to direct the investment of the Plan's assets.
5. Prudently and diligently selecting qualified investment professionals, including Investment Consultant(s), Investment Manager(s), and Custodian(s).
6. Informing Investment Managers and Investment Consultants of expected changes in cash flow requirements.
7. Regularly evaluating the performance of the Investment Manager(s) to assure adherence to policy guidelines and to monitor investment objective progress.
8. Regularly evaluating the performance of the Fund as a whole to assure adherence to policy guidelines and to monitor investment objective progress.
9. Developing and enacting proper control procedures.

Delegation of Authority

As provided in Section 1-109.1 of the Code, the Pension Fund Board of Trustees as a fiduciary is responsible for directing and monitoring the investment management of the Plan's assets, and is authorized to delegate certain responsibilities to professional experts in various fields, including, but not limited to:

1. The Investment Consultant, who may assist the Pension Fund Board of Trustees in establishing investment policy, objectives, and guidelines; selecting investment managers, reviewing such managers over time; measuring and evaluating investment performance on a continuing basis; and other tasks as deemed appropriate by the Pension Fund Board of Trustees.
2. The Investment Manager, who has discretion to direct the purchase, sale or holding of the specific securities or funds that will be used to meet the Plan's investment objectives.

3. The Custodian(s), who as custodian(s) will always be identified as Custodian(s) of the Village Of Streamwood Police Pension Fund, will maintain possession of securities or funds owned by the Plan, collect dividend and interest payments, redeem maturing securities, effect receipt and delivery following purchases and sales, and also perform regular accounting of all assets owed, purchased, or sold, as well as move assets into and out of the Plan accounts.
4. The Investment Committee if the committee has been constituted by the board.

Additional specialists such as attorneys, auditors, actuaries, retirement plan consultants, and others may be utilized by the Pension Fund Board of Trustees to assist in meeting its responsibilities and obligations to administer Plan assets prudently.

If such experts have discretionary investment authority or other powers, duties and responsibilities which make them a "Fiduciary" they must acknowledge their fiduciary status in writing. Such fiduciary status shall exist to all such experts including but not limited to the Pension Fund Board of Trustees, Investment Consultant(s), Investment Manager(s) and Custodian(s) regardless of whether such acknowledgment is given.

The Board of Trustees will have ultimate control of Fund assets and in Investment Manager allocations. The Board of Trustees will not reserve any control over daily investment decisions; those decisions will be the responsibility of the Investment Managers selected. Managers will be held responsible and accountable to achieve the objectives herein stated and operate within the Illinois Pension Code. As provided in section 1-110(b) a fiduciary of this fund shall not:

1. Deal with the assets of the retirement system or pension fund in his own interest or for his own account.
2. In his own individual or any other capacity act in any transaction involving the fund on behalf of a party whose interest is adverse to the interests of the fund or the participants or beneficiaries.
3. Receive any consideration for his own personal account from any party dealing with the fund in connection with a transaction involving the fund.

Responsibilities of Investment Consultant(s)

The Pension Fund Board of Trustees may hire or retain an Investment Consultant. The Investment Consultant's role is that of a non-discretionary advisor to the Pension Fund Board of Trustees. Nevertheless, in view of Illinois law including Section 1.101.2 of the Code, the Investment Consultant is a "Fiduciary" with respect to the Fund, and, accordingly, each Investment Consultant must acknowledge in writing its acceptance of responsibility as a fiduciary as aforesaid. Advice concerning the investment management of Plan assets will be

offered by the Investment Consultant, and will be consistent with the investment objectives, policies, guidelines and constraints as established in this Statement. The Investment Consultant shall assume such responsibilities as directed by the Pension Fund Board of Trustees, and as detailed in the Investment Consultant's contract. Specific responsibilities of the Investment Consultant include:

1. Conduct an initial review of all investments.
2. Review of Plan investment history.
3. Assist in the development and periodic review of the investment policy.
4. Conduct investment manager searches when requested by the Board Of Trustees.
5. Monitor investment performance of Investment managers and of the Fund as a whole.
6. Report to the Board of Trustees on market conditions and the impact on investments.

Responsibilities of Investment Manager(s)

The Pension Fund Board of Trustees may hire or retain an Investment Manager(s). The terms and conditions of any such appointment shall be in writing. Each Investment Manager must acknowledge in writing its acceptance of responsibility as a fiduciary under Illinois law including Section 1-101.2 of the Code as aforesaid. Subject to the requirements thereof and to the authority of the Pension Fund Board of Trustees, each Investment Manager will have full discretion to make investment decisions for the assets placed under its jurisdiction, while observing and operating within all policies, guidelines, constraints, and philosophies as outlined in this Statement. Specific responsibilities of the Investment Manager(s) include, but are not limited to, the following:

1. Discretionary investment management, within the guidelines set forth by the board, including decisions to buy, sell, or hold individual securities, and to alter asset allocation within the guidelines set for in this Statement.
2. Provide written reports at least quarterly to the board in compliance with AIMR (Association of Investment Management and Research) standards. Returns shall be measured on a net of fees basis.
3. Communicating any major changes in economic outlook, investment strategy, or any other factors which affect implementation of investment process, or the investment objective progress of the Plan's investment management.

4. Informing the Board of Trustees regarding any qualitative change in the investment management organization: Examples include changes in portfolio management personnel, ownership structure, investment philosophy, etc.
5. Voting proxies on behalf of the Plan if directed to do so by the Pension Fund Board of Trustees and communicating such voting records to the Pension Fund Board of Trustees on a timely basis.
6. Have a written contract, with the Investment Policy as part of the contract.
7. Provide full disclosure of fees, both direct, and indirect.

Investment Managers will be held responsible and accountable to achieve the objectives of this Statement. It is not the intent of this Policy to hamper Investment Managers and they should request modifications when they deem it appropriate.

Responsibility of the Custodian

The Custodian exercises specified authority or control respecting management or disposition of the Fund's assets, among other things. The Custodian accepts possession of securities and/or funds in a manner which insures their safety and ownership. In view of Section 1-101.2 of the Code, the Custodian acts as a "Fiduciary" with respect to the Fund. Additional specific responsibilities of the Custodian include, but are not limited to, the following:

1. Providing accurate, timely market value pricing, including accrued interest if requested, for all securities under their care.
2. Collecting dividends and interest payments on a timely basis.
3. Redeeming of maturing securities on a timely basis.
4. Effecting receipt and delivery following purchases and sales on a timely and accurate basis.
5. Providing timely monthly statements which accurately detail all transactions in the accounts, as well as detail all of the securities owned.
6. Ensuring that all cash is productively employed at all times.

The Investment Committee

The Pension Fund Board of Trustees may elect two members of the Pension Fund Board of Trustees to serve on the Investment Committee. Upon a vacancy during the year the Pension Fund Board of Trustees may elect an alternate to fill the vacancy for the remainder of the term.

The Investment Committee may meet as needed to carry out the provisions of this policy. All actions of the investment committee are to be approved by the board at the appropriate meeting.

Fees

All charges by professional experts must be at rates charged by such experts for comparable work, and will be borne by the Fund. Any fees for investment services provided by a professional expert shall be detailed in a written disclosure of all fees and compensation, both direct and indirect, prior to providing the services, or at any time the Pension Fund Board of Trustees requests, subsequent to providing investment services. Any fee increases shall be submitted in a proposal to the board, and shall not become effective until board authorization is given.

General Investment Principles

General investment principles of the Plan include, but are not limited, to the following:

1. As provided in section 1-113.7 of the Code, all investments shall be made in the name of and clearly held and accounted for to indicate ownership of the Village Of Streamwood Police Pension Fund.
2. All investments shall be made solely in the interest of the participants and beneficiaries of the Plan and for the exclusive purpose of providing benefits accrued thereunder and defraying the reasonable expenses of administration.
3. The Plan shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in like capacity and familiar with such matters would use in the investment of a fund of a like character and with like aims.
4. Understanding that risk is present in all types of securities and investment styles, the Pension Fund Board of Trustees recognizes that some risk is necessary to produce long-term investment results that are sufficient to meet the Plan's objectives. However, the Investment Managers are to make reasonable efforts to control risk, and will be evaluated regularly to ensure that the risk assumed is commensurate with the given investment style and objectives.
5. Investment Managers are expected to adhere to the investment management styles for which they were hired. Managers will be evaluated regularly for adherence to their investment discipline.
6. Investment managers should make reasonable efforts to preserve capital, consistent with their investment style, understanding that losses may occur in individual securities.
7. Investments of the Plan shall be diversified so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so.

8. The Pension Fund Board of Trustees may employ one or more investment managers of varying styles and philosophies to attain the Plan's objectives.
9. Cash is to be employed productively at all times, by investment in short term cash equivalents to provide safety, liquidity and return.

Investment Objectives

In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregate return of capital appreciation, dividend income, and interest income, within the boundaries of prudent risk. The primary objectives of the Fund, are as follows:

1. The investment portfolio will remain sufficiently liquid to enable the Fund to meet all operating requirements which might be reasonably anticipated.
2. Assets will be invested to achieve attractive real rates of return. Following the Prudent Expert Standard for preservation of capital, assets will be invested consistent with the Plan's tolerance for risk as determined by the Pension Fund Board of Trustees in its role as fiduciary.
3. To achieve a balanced return of current income and modest growth of principle.
4. To minimize investment costs, and to aid the total return of the fund, passive or index investment products may be used.
5. To minimize the probability of loss of principle over the investment horizon.
6. To achieve returns over the investment horizon that exceed of the rate of expenses plus inflation.

Specific Investment Goal

Over the investment horizons established in this Statement, it is the goal of the Pension Fund Board of Trustees that aggregate Plan market value returns meet or exceed the actuarial assumption of the Fund. The investment goals above are the objectives of the aggregate Plan, and are not meant to be imposed on each investment account (if more than one account is used). The goal of each Investment Manager, over the Investment Horizon, shall be to:

1. Generate returns that meet or exceed, net of fees, the market index or benchmark, or blended market index or benchmark, selected and agreed upon by the Pension Fund Board of Trustees that most closely corresponds to the style of investment management. It is expected that investments that are made in passive or index funds will match the benchmark consistent with the fee charged.

2. Display an overall level of risk in the portfolio which is consistent with the risk associated with the benchmark specified above.

Specific investment goals and constraints for each Investment Manager, if any, shall be incorporated as part of this Statement. Each Manager shall receive a written statement outlining specific goals and constraints if they differ from those objectives of the entire Plan.

Losses

The Pension Fund Board of Trustees understands that in order to achieve its objectives for Plan assets, the Plan will experience volatility of returns and fluctuations of market value as well as periods of losses. Losses will be viewed within the context of appropriate market indices or benchmarks.

Liquidity

To minimize the possibility of a loss occasioned by the sale of a security forced by the need to meet a required payment, the Pension Fund Board of Trustees will periodically provide Investment Managers with an estimate of expected net cash flow with sufficient advance notice to allow the orderly build-up of necessary liquid reserves.

Marketability of Assets

Based on the Plan's long-term investment horizon, the Pension Fund Board of Trustees has determined that, as appropriate, up to 5% of Plan assets may be invested in non-liquid, long-term investments. Any other Plan holding which would have a noticeable impact on market price if traded in whole or in part is also defined as non-liquid.

Permitted Investments

Permitted investments are those allowed under Section 1-113.2, 1-113.3, and 1-113.4 of the Code, including, but not limited to:

1. Interest bearing bonds or tax anticipation warrants of the United States, of the State of Illinois, or of any county, township, or municipal corporation of the State of Illinois.
2. Insured withdrawable capital accounts of State chartered savings and loan associations.
3. Insured withdrawable capital accounts of federal chartered savings and loan associations if the withdrawable capital accounts are insured by the FDIC.

4. Insured investments in credit unions if the investments are insured by the National Credit Union Administration.
5. Savings accounts or certificates of deposit of a national or state bank.
6. Contracts and Agreements supplemental thereto providing for investments in the general account of a life insurance company authorized to do business in the State of Illinois.
7. Interest bearing bonds, notes, debentures and other similar obligations of agencies of the United States Of America.
8. As of January 1, 1998, investments are allowed in the following:
 - a. An account managed by a life insurance company authorized to do business in Illinois, comprised of real estate loans or upon real estate secured by first or second mortgages.
 - b. Mutual Funds that meet the following requirements: (1) managed by an investment company as defined and registered under the Federal Investment Act of 1940 and registered under the Illinois Securities Law of 1953; (2) has been in operation for 5 years; (3) has total net assets of \$250 million or more; and (4) is comprised of stocks, bonds, or money market instruments.
 - c. Common or preferred stocks in accordance with 40 ILCS 5/1-113.4.
 - d. Separate accounts of a life insurance company authorized to do business in Illinois, comprised of common or preferred stocks, bonds, or money market instruments.

Prohibited Transactions

Prohibited transactions are those transactions prohibited under section 1-110 of the code and also include, but are not limited to, the following:

1. Short Selling
2. Margin Transactions
3. Purchase of commodities or options
4. Any borrowing or lending agreements

Asset Allocation Guidelines (at market value)

Investment management of the Plan's assets shall be in accordance with the following asset allocation guidelines:

<u>Asset Class</u>	<u>Target</u>	<u>Range</u>
Equities	40%	10% to 45%
Fixed Income	57%	40% to 80%
Cash and Equivalents	3%	1% to 15%

Under the current Code, the total of equities, variable annuities, and mutual funds can not exceed 45%.

The Pension Fund Board of Trustees may employ Managers whose investments disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate Plan, such disciplines must fit within the overall asset allocation guidelines established in this Statement. Such Investment Managers will receive written direction from the Pension Fund Board of Trustees regarding specific objectives and guidelines.

Selection of Investment Manager(s)

The Pension Fund Board of Trustees' selection of Investment Manager(s) will primarily be based upon matching the Fund's investment objectives with an Investment Manager's investment style.

At a minimum and subject to the requirements of Section 1-101.2 and 1-113.5 of the Code, the following items will be required in the selection of an Investment Manager.

1. Investment professionals with a minimum of five (5) years of investment experience.
2. A registered investment advisor under the Investment Advisors Act of 1940, or bank or insurance company.
3. Investment Managers of separate accounts must be able to demonstrate knowledge of the Illinois Code governing police and fire pension funds.

As indicated above, the Pension Fund Board of Trustees requires that each Investment Manager provide, in writing, acknowledgment of fiduciary responsibility to the Plan, and receipt of this Investment Policy document.

Investment Manager Performance Review and Evaluation

Performance reports generated by the Investment Consultant shall be compiled at least quarterly and communicated to the Pension Fund Board of Trustees for review. The investment

performance of total portfolios will be measured against commonly accepted performance benchmarks or against benchmarks set by the Pension Fund Board of Trustees which are comparable to the managers investment style. Consideration shall be given to the extent to which the investment results are consistent with the investment objectives, goals, and guidelines as set forth in this statement, with the intent to evaluate the portfolio(s) over an Investment Horizon of at least a three year period. The Pension Fund Board of Trustees reserves the right to terminate a Manager for any reason or may terminate an Investment Manager without cause. Among the causes for termination (but not limited to those causes) are the following:

1. Investment performance which is significantly less than anticipated, net of fees, given the discipline employed and the risk parameters established, or unacceptable justification of poor results.
2. Failure to adhere to any aspect of this Statement of Investment Policy, including communication and reporting requirements.
3. Significant qualitative changes to the investment management organization, investment philosophy, or style.

Investment managers shall be reviewed at least semi-annually regarding performance, personnel, strategy, investment philosophy or style, research capabilities, organizational and business matters, and other qualitative factors that may impact their ability to achieve the desired investment results.

Meeting Schedules

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.

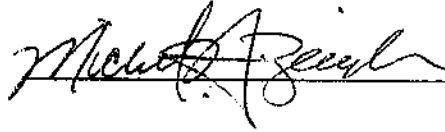
Actuarial Study

The central element of this investment policy is to ensure plan funding. To this end the funding status of the pension is an important variable as it provides information on the financial health of the plan, as well as on the plan's ability to bear risk. An actuarial study of the fund shall be performed annually, or as needed.

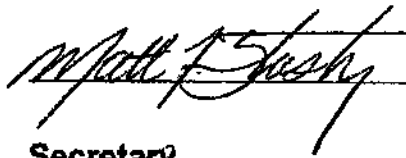
Additional Rules and Procedures

The Pension Fund Board of Trustees may impose additional duties, obligations, and procedures under separate document as the need arises.

This Statement is adopted on October 3, 2005 by the Pension Fund Board of Trustees of the Fund whose signatures appear below.



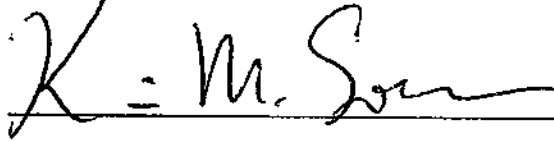
President



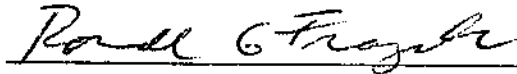
Secretary



Board Member



Board Member



Board Member