LISLE-WOODRIDGE FPD PENSION FUND

Statement of Investment Policy, Guidelines and Investment Objectives

Adopted by the Board of Trustees On August 24, 2001

Reviewed and Updated
(December 20, 2001)
(April 22, 2002)
(May 28, 2003)
(April 26, 2004)
(October 25, 2004)
(April 25, 2005)
(February 26, 2006)
(June 4, 2007)
(June 23, 2008)
(October 25, 2010)
(May 23, 2011)
(August 27, 2012)
(December 23, 2013)
(March 24, 2014)
(February 2015)
(April 2018)

Table of Contents

Section 1: Executive Summary

Name of Plan: .... Lisle-Woodridge FPD Pension Fund

Plan IRS Tax Identification: 36-4024973

Plan Sponsor: .... Fire Protection District of Lisle Woodridge

Plan Sponsor IRS Tax ID: 36-2684724

Consultant: .... UBS

Custodian: .... UBS

Legal Counsel: .... Jeff Goodloe

Accountant: .... Sikich LLP

Fiscal year-end: .... December 31

Actuary: .... Lauterbauch & Amen

Actuary Return Assumptions: 6.75%

Time Horizon: .... LT Investment Horizon to Match Benefits

Section 2: Introduction

2.1 General information:

The Lisle-Woodridge FPD Pension Fund (hereinafter the "Fund") is an Article 4 pension fund operating under the constitutional and statutory provisions of the State of Illinois, specifically referred to the Illinois Pension Code 40 ILCS 5/, hereinafter the "Code." It is governed by a Board of Trustees (the "Board") provided for under the law and funded by contributions from its participants, taxes upon the Fire Protection District of Lisle-Woodridge, Illinois, and from investment earnings. It provides for an orderly means whereby eligible participants of the Pension Fund may accumulate reserves for themselves and their dependents for the exclusive purpose of providing for certain benefits upon retirement, disability, or death and defraying reasonable expenses of administering the Fund as provided for under the applicable statutes.

The Board and all fiduciaries to the Fund shall act and discharge their fiduciary duties with respect to the Fund solely in the interest of the participants. In discharging their duties they shall not: deal with the assets of the fund in their own interest; act on behalf of any other party whose interests are adverse to the interests of the Fund; or 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.

2.2 Purpose of This Document:

The purpose of this document is to formalize the investment policy and guidelines of the Fund, outline the responsibilities of all parties involved, facilitate communication, and enhance supervision, monitoring, and evaluation of the Fund's assets. It outlines an overall philosophy specific enough to communicate the Board's expectations, but flexible enough to allow for changing economic circumstances and the inevitable fluctuations in capital markets.

This document establishes: 1) the goals of the Board; 2) the strategies to be used in the pursuit of these goals; 3) the persons designated to execute the Board's policy; 4) the entities with which the board has decided to conduct business; and 5) the measures put into place by the Board to evaluate periodically the success of its policies.

This document has been formulated based upon a wide range of data and possibilities and describes the process deemed appropriate by the Board based upon the "prudent man" rule.

2.3 Specific Provisions for This Fund:

The Board recognizes the commitment of the current City government to meet the actuarially determined funding requirements set forth in 40 ILCS 5/4-118 that are necessary to allow the investment latitude reflected in this Investment Policy Statement.

Section 3. Responsibilities of Parties Involved

3.1 Responsibilities of the Board of Trustees and Staff:

The ultimate responsibility for oversight of the Fund rests with the fiduciaries of the Fund. The Board of Trustees and staff will exercise its responsibilities as a prudent body in conformance with all applicable statutes of the State of Illinois and the Federal Government. The Board and its staff, as fiduciaries, must operate under an extremely high ethical standard and, therefore, must not enter into any action or transaction that would be in conflict or perceived to be in conflict with the best interests of the Fund. It is incumbent upon the trustees that they disclose any conflicts of interest.

The duties and responsibilities of the Board include but are not limited to:

- Ensuring that the Fund is managed effectively and prudently in compliance with all applicable laws and ordinances and the actuarial needs of the Fund, and discharging its duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and like aims – Illinois Pension Code 40 ILCS 5/1-109.
- Complying with Illinois laws governing the Fund, specifically, the Illinois Pension Code 40 ILCS 5/1-101 et seq..
- Acting in good faith on a best-efforts basis to keep the appropriate parties including investment managers, consultants and custodian apprised of any changes to such applicable statutes.
- Determining an appropriate asset mix based upon capital markets expectations incorporating statutory regulations, historical and projected returns, and the cash flow requirements of the Fund.
- Delegating supervisory responsibilities to appropriate groups or individuals, assigned staff, or assistants for administration of the Fund.
- Establishing rules, regulations, and bylaws for administering the Fund.
- Monitoring the administration of the Fund, including requesting, mandating, receiving, and reviewing reports as necessary to accomplish this function.
- Monitoring the performance and other critical aspects of the Fund's investment managers, actuaries, accountants, consultants, and other professionals hired to conduct the affairs of the Fund.
- Notifying the appropriate parties including investment managers, consultants, the Illinois Department of Insurance and other governmental bodies of changes in the Fund as necessary.
- Establishing policies and objectives relating to the investment of the Fund's assets and monitoring investment performance to ensure that the policies are followed and objectives are met.
- Ascertaining the adequacy of this document, reviewing it annually or as needed, determining any warranted changes and, if there are changes, filing it with the Department of Insurance within thirty days.
- Engaging such professional expertise as may be needed to assist in the supervision of the investment of the Fund's assets including but not limited to investment consultants, custodians, money managers, attorneys, auditors, and actuaries.
- Determining and monitoring, in an objective fashion, the cost and value of all professional service providers the Fund engages, including that of consultants and money managers.
- Determining the eligibility, status, and rights of the Fund's participants and beneficiaries in accordance with the Code and appropriate rules, regulations, and interpretations thereof, which have been adopted.
- Reviewing and resolving contested claims.

- Communicating with the Fund's participants and beneficiaries as is necessary or as required by law or regulations.
- The fund shall file with the Department of Insurance any reports of its investment activities that the Department may require, at the times and in the format required by the Department.

3.2 Responsibilities of Investment Managers:

As deemed appropriate by the Board of Trustees, they may contract for professional investment management services. In selecting, engaging and utilizing professional investment management services (the Managers, mutual funds, and annuities), the Board of Trustees will do so prudently and solely in the best interest of the Fund's participants and beneficiaries. No Trustees of the Board shall be liable for the acts or omissions of the investment managers, nor are they obligated to invest or otherwise manage any assets of the Fund subject to the control of the investment managers.

The duties and responsibilities of the investment managers include but are not limited to:

- Maintaining registration under the Federal Investment Advisors Act of 1940, 15 U.S.C. 80 B-1, et seq.
- Complying with Illinois laws governing the Fund, specifically, the Illinois Pension Code 40ILCS 5/1-101 et seq.
- Adhering to the policies, objectives, and guidelines as set forth in this document.
- Exercising such investment discretion as has been authorized by contract with the Board of Trustees and in compliance with the policies, objectives, and guidelines set forth in this document.
- Managers are fiduciaries and, as such, must comply with all applicable laws and legislation, particularly as it pertains to duties, functions, and responsibilities of a fiduciary and investment manager. Specifically, adherence to the "prudent expert" standard is required.
- Furthermore, all assets must conform to the Illinois laws governing such investments for the Fund, specifically those allowed under 40 ILCS 5/1-113 et seq. It is understood that the Board and the Consultants will act in good faith on a best-efforts basis to keep the managers apprised of any changes to such statutes.
- Each asset manager must stand ready at all times to explain and justify any investment or asset-related decisions to the Board of Trustees, or their appointee.
- Formally reporting to the Board of Trustees on an as-needed basis.
- Each money manager must acknowledge in writing their recognition and acceptance of full responsibilities as a fiduciary under appropriate Federal and State laws of the Code and their intention to comply with this document.
- Being available to meet or confer with the Board or its designated appointees, as required, resolving any questions arising in the day-to-day operations of the Fund.
- Voting proxies. Because of the complexity of issues and the direct impact on asset values, the Board believes its investment managers are best positioned to vote proxies of the shares held in the portfolios they manage. The Board directs that the investment managers vote proxies in accordance with their own policies in the best interest of the Fund. In general, Managers should vote for issues that will enhance shareholder's long-term value and against those issues that would decrease shareholder's long-term value.

3.3 Responsibilities of the Consultants:

Due to the complexity of the investment environment, the Board recognizes the need to engage the services of a professional investment consultant (the "Consultant"). The duties of such consultant include but are not limited to the following:

- Complying with Illinois laws governing the Fund, specifically, the Illinois Pension Code 40ILCS 5/1-101 et seq.
- Acting in good faith on a best-efforts basis to keep the appropriate parties including the Board, investment managers, and custodian apprised of any changes to such applicable statutes.
- Assisting the Board in developing investment policy guidelines including appropriate asset classes, asset allocation targets and ranges, and managing risk through diversification in compliance with Illinois statutes.
- Providing the Board with objective information on the broad range of investment management specialists and assisting the Board in assembling a superior team of investment managers.
- Monitoring both the qualitative and quantitative aspects of the money managers and providing reports on a quarterly basis or timelier if the situation demands, such as a change in key personnel.
- Aiding the Board in interpreting and understanding the performance data on the money managers and the Fund as a whole.
- Making recommendations to the Board, as warranted, to put a Manager on probation or terminate them for reasons including but not limited to the following: failure to consistently meet investment objectives over a reasonable period of time; a significant change in investment philosophy or process; deviation from investment guidelines; a change in key investment personnel; or failure to comply with all applicable regulations and laws including this document. A Manager may be removed from probation if they demonstrate satisfactorily to the Board that significant improvement or rectification of the problem has been accomplished.
- Assisting the board in developing and implementing a rebalancing strategy.
- Assisting the Board in developing and implementing a cash flow strategy to fund the pension payments from the investment managers.

3.4 Responsibilities of the Custodian:

The custodian appointed by the Board has the following duties and responsibilities, among others:

- Complying with Illinois laws governing the Fund, specifically, the Illinois Pension Code 40ILCS 5/1-101.
- Accepting possession of the investment securities for safekeeping, collecting income from the investments, collecting principal of called, matured or sold securities, and providing periodic statements of the accounts. In addition, the Custodian will sweep free credit balances into an appropriate money market fund as directed in writing by the Board.
- Shall maintain adequate insurance or pledged collateral to insure that all investments and deposits are sufficiently protected.
- To provide monthly statements detailing all transaction in the accounts, a detail of securities owned, including accurate and timely market value pricing.
- Settling trades as they occur.

- Receiving contributions and making disbursements by check or wired funds as directed in writing by the board or its designee.
- Being available as necessary to confer with the Board, and to answer any operational questions as they arise.

Section 4: Guidelines and Investment Policy

These guidelines represent the framework within which the investment managers (the "Managers") operate in relation to the management of the Fund. These guidelines and objectives are the basis upon which the Managers will operate and upon which they will be evaluated.

The portfolio shall consist of investments, which, in combination, can reasonably be expected to satisfy the investment objectives of the Fund in light of its investment time horizon, risk tolerance, return objectives, and asset class allocations.

Risk management is achieved primarily through asset allocation established by the Board, thus dampening individual asset risk. Since the Board has chosen to use a multiple manager approach across multiple asset classes, the need for broad diversification within individual portfolios, although not entirely eliminated, is somewhat reduced.

4.1 Investment Time Horizon:

These investment guidelines are based upon an investment time horizon in excess of five years (in fact, much longer since the Fund will continue indefinitely). Therefore, interim fluctuations should be viewed with an appropriate perspective. Similarly, the Fund's strategic asset allocation is based on this long-term investment horizon.

Short-term liquidity requirements are only those necessary to meet the obligations of the Fund, namely benefit disbursements, lump-sum distributions, and administration and management costs as deemed appropriate by the board.

4.2 Risk Tolerances:

The Board of Trustees of the Pension Fund recognizes the difficulty of achieving the Fund's investment objectives in light of the complexities and uncertainties of today's capital markets. The Board also recognizes and accepts the fact that a prudent level of risk must be assumed in order to achieve the Fund's long-term investment objectives.

In establishing the risk tolerance of the Fund, the Board has taken into account several factors influencing the Fund's ability to withstand short and intermediate-term fluctuations in the value of the Fund's investments. Among these are the Fund's actuarial position, limited near-term liquidity requirements, and balance of contributions and disbursements.

In summary, the Fund's prospects for the future, current financial condition and several other factors collectively suggest that the Fund can tolerate moderate interim fluctuations in market value and rates of return in order to achieve the Fund's long-term objectives, given that the Fund continues to receive its appropriate statutory and actuarially determined contributions.

4.3 Performance Expectations:

The Board expects its money manager's activities, investment decisions, and results to be consistent with the Fund's policies, guidelines, goals, and objectives as reflected in this document. The Managers are expected to manage those assets in their portfolio using an investment approach that reflects their internal policies and guidelines while maintaining compliance with this document and all applicable statutes.

If a Manager purchases a security outside of these guidelines, it must be sold. Following Board of Trustees notification the investment manager is given discretion to sell at anytime within a thirty-day period. If a security is disposed of as a result of an original purchase that was made outside of the guidelines of the Fund, then the Fund is to be made whole by the Manager. (Whole is defined as the original book value of the non-complying investment(s) plus the greater of either the holding period return on the non-complying security (ies) or the return of the primary benchmark for that specific managed account during the same holding period.)

The Board has considered real return expectations (i.e. returns in excess of the rate of inflation) for the various asset classes. These expectations are considered reasonable given over fifty years of historical experience covering periods of varying economic conditions and investment environments, and given the belief that the United States' capital markets will remain viable.

These expectations reflect long-term views and the Board acknowledges the possibility that such returns may not be realized over short or even intermediate time periods. The Board's long-term, real rate of return expectations are as follows:

Asset Class:		**LT Real Rate of Return Expectations:**
Cash and Equivalents		0% to 1.0%
Diversified Portfolio of Domestic Fixed Income Investments		1.0% to 2.5%
Diversified Portfolio of Domestic Stocks and Int'l Mutual Funds/Annuities		4.0% to 8.0%

Appropriate performance benchmarks for each asset class are set forth in Section 7 of this document, "Control Procedures." These performance benchmarks will be re-evaluated periodically to ensure that they are consistent with then current capital market return expectations.

<u>4.4 Asset Allocation Constraints:</u>

The Board understands that the Fund's return, risk, and liquidity are in large part determined by the asset mix. The Board has selected the following strategic asset allocation based upon the Fund's investment time horizon, risk tolerance, performance expectations, asset class preferences, long-term real rate of return expectations and applicable statutes:

4.5 Rebalancing Procedures:

The allocation mix outlined above is based upon market value and, consequently, the Fund's Consultant is expected to monitor the portfolio based on this valuation. Neither the upper nor the lower limits of the asset allocations are intended to require portfolio activity for the sole purpose of complying with the guidelines. However, deviation from these guidelines, when they occur, will be discussion items at the meetings between the Board of Trustees and the Consultant and or Managers.

The Board recognizes that during times of transition, (for example when a new Manager is hired), that the Fund's actual allocation might vary temporarily from the target range outlined above. It is expected, however, that the actual allocation will be brought back into line as soon as is practically and prudently possible.

The Board also recognizes that relative asset class and Manager performance, as well as significant moves in the capital markets, can and will lead to movements in asset allocation away from the targeted ranges. Deviations outside the upper or lower limits (generally ±10% to ±20% of the targeted allocations) for these reasons should be corrected as soon as prudently possible. Normal cash flows into or out of the portfolio will be managed as much as is practical and prudent to maintain targeted allocations. Allocation will be monitored on a quarterly basis and more often if necessary. Due to the timing and magnitude of contributions from tax levies, the Board, in conjunction with their Consultants, will determine in a prudent manner the appropriate timing of asset rebalancing.

If the cash flows of the Fund are inadequate to maintain targeted allocations, the Board will instruct the Consultant, Managers, and the Custodian in writing to effect transactions and redeployment of funds as needed to bring the allocation within the guidelines above. For additional details, please refer to the Fund's current rebalancing and cash flow policy documents.

4.6 Significant Portfolio Cashflows:

Should a situation where significant, unusually large cash in- or outflows arise, such as the annual tax levy contributions, the Board will inform the Consultant, the Custodian, and the Managers as necessary and as soon as practical of anticipated additions to or withdrawals from their portfolio. The Consultant, in consultation with the Board, will determine the most appropriate utilization for the cash additions within the established guidelines and will similarly determine the most appropriate manner in which to raise cash for withdrawals.

Section 5: Securities Guidelines

Each money manager hired by the Fund must adhere to the appropriate guidelines that follow. These guidelines for each major asset class serve as a framework for the money managers to work within to achieve the Fund's investment objectives while maintaining an acceptable level of risk. These guidelines are specifically designed to minimize interference with the money manager's efforts to attain overall objectives and to minimize the risk of excluding them from appropriate opportunities in compliance with this document. Should a money manager request a deviation from the following guidelines, the Board may choose to allow it, and this decision will be transmitted to the Manager in writing.

5.1 Permitted Investments:

Investments for the Fund allowed are those under Illinois Code 40 ILCS 5/1-113.1 through 5/1-113.4a, which includes, but is not limited to, the following:

- Interest bearing direct obligations of the United States of America.
- 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.
- Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this Section, "agencies of the United States of America" includes: (i) the Federal National Mortgage Association and the Student Loan Marketing Association; (ii) federal land banks, federal intermediate credit banks, federal farm credit banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Act of 1971 or amendments to that Act; federal home loan banks and the Federal Home Loan Mortgage Corporation; and (iii) any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
- Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
- Interest bearing savings accounts or certificates of deposit, issued 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.
- Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
- Interest bearing bonds of the State of Illinois.
- Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool in accordance with the Deposit of State Moneys Act and interest bearing funds or pooled accounts managed, operated, and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois.
- Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
- Direct obligations of the State of Israel, subject to the conditions and limitations of item (5.1) of Section 1-113.
- 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 the following:
  - (i) 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;
  - (ii) Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies; and
  - (iii) Short term obligations of corporations organized in the United States with assets exceeding $400,000,000, provided that (A) the obligations mature no later than 180 days from the date of

purchase, (B) 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 (C) the obligations held by the mutual fund do not exceed 10% of the corporation's outstanding obligations.

- General accounts of life insurance companies authorized to transact business in Illinois.
- Corporate bonds managed through an investment advisor that meet the following requirements:
  1. The bonds must be rated as investment grade by one of the 2 largest rating services at the time of purchase.
  2. If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.
- Any combination of the following, not to exceed 65% of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance:

  (i) 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 stocks, bonds, or money market instruments, not to exceed 35% of the pension fund's net present assets;

  (ii) Separate accounts that are managed by insurance companies authorized to transact business in Illinois, and are comprised of real estate or loans upon real estate secured by first or second mortgages, not to exceed 10% of the pension fund's net present assets;

  (iii) Mutual funds that meet the following requirements:

  a. The mutual fund is managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;
  b. The mutual fund has been in operation for at least 5 years;
  c. The mutual fund has total net assets of $250 million or more; and
  d. The mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.

(iv) Common and preferred stock meeting the following requirements, not to exceed 55% of the pension fund's net present assets:

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

5.2 Prohibited Transactions and Investments:

Any transactions under the Code, Sec. 1-110, "Prohibited Transactions" and Sec. 1-111 "Ten Per Cent Limitation of Employer Securities" are specifically prohibited. In addition, the following securities and transactions are prohibited unless the money manager has received prior, written, Board authorization:

- American Depositary Receipts (ADR)
- Letter stock, restricted stock, stock in non-public corporations, private placements, and any other unregistered securities including fixed income securities or any securities acquired upon conversion of the above. "Restricted Securities" are securities that have not been registered under the Securities Act of 1933 and as a result are subject to restrictions on resale.
- The purchase of securities on margin, or the lending, pledging, or hypothecating of securities (except when investing in mutual funds).
- Short sales.
- Participation on a joint and several bases in any securities trading account.
- Investment in companies for the purpose of exercising control of management.
- Concentration of investments in a particular industry inasmuch as the maximum commitment to an industry may not exceed 25% of the total value of the Fund's portfolio. This is not intended to restrict the concentration of fixed income securities in any given sector (such as corporate bonds, asset-backed securities, mortgage-backed securities, etc.) but to limit the concentration within each sector to 25% in any one industry.
- The purchase or sale of options or commodities, commodity contracts, mineral, oil, gas or other mineral exploration or development programs. However, the Fund may purchase the securities of companies engaged in the exploration, development, production, refining, transportation and marketing of oil, gas or other minerals. The Board, however, recognizes that some mutual funds may engage in some of the aforementioned activities as allowed by the mutual fund's prospectus.

5.3 Domestic Equities:

These guidelines for equity Managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

- Equity holdings in any one company should not exceed 5% of the market value of the entire Fund.
- The Managers should not invest more than 25% of the value of the common stock portfolio in the securities of companies principally engaged in the same industry.
- Equity holdings shall emphasize quality in security selection and be restricted to readily marketable securities of corporations actively traded on the major exchanges.
- The money managers shall have the discretion to invest a portion of the assets under their supervision in cash reserves when they deem appropriate. However, the Managers will be evaluated against their benchmarks and their peer group based on the total funds of the portfolio under their direct management.

- While the Managers should avoid the risk of large loss through diversification, the Board recognizes that certain Managers emphasizing performance often run concentrated portfolios holding fewer securities and are thus subject to greater volatility.

5.4 Fixed Income Securities:

These guidelines for fixed income managers are intended to be general in nature, and to outline only broad constraints, allowing the Managers broad discretion to manage their portfolios according to their own internal policies.

- All fixed income securities held for the Fund shall be among those authorized by the Code, which include but are not limited to: full faith and credit obligations of the United States, or its agencies, Certificates of Deposit, State of Israel Bonds, Corporate Bonds and money market mutual funds.
- Managers shall not invest more than 5% of the Fund's value in the issues of any one issuer, with the sole exception of the U.S. Government, its agencies, or instrumentalities.
- All fixed income securities held for the Fund shall be expected, under normal market conditions, to be easily liquidated without severe markdowns when the transaction is not a forced liquidation.
- No funds shall be invested in private mortgages.
- Short-term investments, including short-term investment funds (STIF's) and money market funds shall be of investment grade, with all assets held therein backed by the Federal Government or its Agencies. See Code Sec. 1-113.1 and Sec. 11 (i), (ii), and (iii).
- The fund will manage credit risk, which is the risk of loss due to the failure of the security issuer or backer, by: in the case of individual securities, limiting investments to the types of securities listed in Section 5 of this Investment Policy, prequalifying the financial institutions, broker/dealers, intermediaries, and advisors with whom the Fund will do business, and diversifying the investment portfolio so that the impact of potential losses from any one type of security or from any one individual issuer will be minimized. In the case of mutual funds and ETF's, limiting investments to well diversified funds which are governed by their prospectuses.
- The Fund will minimize interest rate risk, which is the risk that the market value of securities in the portfolio will fall due to changes in market interest rates, by: in the case of individual securities, structuring the investment portfolio so that the securities match or remain close to an appropriate benchmark. Operating funds should be invested primarily in shorter-term securities, money market mutual funds, or similar investment pools and limiting the average maturity of the portfolio in accordance with this policy.

5.5 International Equities:

These guidelines for international equity holdings are intended to be general in nature, and to outline only broad constraints, allowing the mutual fund or money manager broad discretion to manage their portfolios according to their own internal policies.

- International equities may be U.S. dollar or non-U.S. dollar denominated, but it is the intention of the Board that most securities will be U.S. dollar denominated.
- Equity holdings in any one company shall not exceed 10% of the value of the Fund's international stock portfolio.

- The Managers shall not invest more than 25% of the value of the Fund's international portfolio in any one-industry category.
- Managers should avoid extreme allocations to any specific country.
- International equity securities must be traded on recognized stock exchanges.
- Managers shall not exceed 10% exposure of the Fund's international portfolio in emerging markets, unless contracted specifically as an emerging markets discipline.
- No ADRs to be purchased directly by the Fund.
- The Board recognizes that, although the above guidelines are preferred, the Fund cannot control the investment policies of mutual funds or annuities and therefore must take these guidelines into consideration when selecting said mutual funds or annuities.

Section 6: Selection of Money Managers

Recognizing the vast number and broad spectrum of investment managers, mutual funds, and annuity products available, the Board has engaged the services of a professional investment Consultant to aid in the selection of such Managers for the Fund by performing due diligence, narrowing the broad universe of managers, mutual funds, and annuity products to a more manageable group, and recommending a select set of specific of these for each asset class for the Board's final selection. This structured approach promotes diversification across asset classes and investment styles, and promotes the longevity of manager relationships. At a minimum, separate account managers for the Fund's consideration must meet the following criteria:

- Be a bank, insurance company, investment management company, or investment advisor as defined by the Registered Investment Advisors Act of 1940.
- Be registered and maintain registration under the Registered Investment Advisors Act of 1940.
- Be registered to conduct business in the State of Illinois.
- Provide historical quarterly performance numbers on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.
- Provide detailed information on the history of the firm, key personnel, and assets under management.
- The Manager must articulate clearly and in writing the investment strategy that will be followed.
- Provide the Fund with or direct the Fund to a current Form ADV at www.adviserinfo.sec.gov

Any entity providing services to the Fund that is chartered under the Illinois Banking Act, the Savings Bank Act, the Illinois Credit Union Act, or the Illinois Savings and Loan Act of 1985 and any person or entity licensed under the Residential Mortgage License Act of 1987, the Consumer Installment Loan Act, or the Sales Finance Agency Act is deemed to be an Illinois Finance Entity per 40 ILCS 5/1-110.10 and must annually certify that it complies with the requirements of the High Risk Home Loan Act and the rules adopted pursuant to that Act. A copy of the Illinois Finance Entity Certification Form is available from the Illinois Department of Insurance webpage.

Section 7: Control Procedures

7.1 Performance Objectives:

Investment performance (including measures of both risk and return) for the Fund in total will be reviewed at least annually by comparing it to the Fund's composite policy benchmark comprised of:

Composite Policy Benchmark:	Percentage	Index
	15.00%	S&P 500
	10.00%	Russell 2500
	11.00%	MSCI EAFE
	9.00%	MSCI EM
	8.00%	HFRI Global Macro
	2.50%	FTSE NAREIT US
	9.50%	Barclays US Agg
	32.00%	Barclays US Agg
	3.00%	Barclays 3 mo T-bill

This is done to determine the continued feasibility of achieving the Fund's investment objectives, and the appropriateness of this document in that regard. It is not expected that this document will be changed frequently; in particular short-term fluctuations in the capital markets should not require the modification of this document.

For the portfolio as a whole, it is expected that at least two of the following criteria shall be met over a market cycle or a three to five year period:

- To achieve a total return, net of management fees, in excess of the Fund's actuarial rate, currently 6.75%.
- To outperform the annualized return of the Fund's composite policy benchmark net of management fees.
- To achieve a real return of 5% over the CPI.

If the Fund's performance does not meet these objectives over a market cycle, then the goals must be re-evaluated, the asset mix modified, Manager composition revised, or a combination of the above.

7.2 Monitoring of Money Managers, Mutual Funds, and Annuity Products:

The performance of each Manager, mutual fund and annuity product will be measured by the Fund's consultant and shall be reviewed each quarter. The Board recognizes that some mutual fund and annuity investments may not have the same degree of performance measurement as separate managers, due to real-world constraints. This analysis should be taken in the context of the capital markets' conditions prevailing during that period and in relationship to that Manager's, mutual funds, or annuity product's investment sector and style. The primary objectives of performance measurement are enhanced communication and understanding between the Fund and its Managers, and the comparison of actual performance against the goals established in this document.

The Board does not expect that the goals defined herein will be met in every quarter; however, the Board does expect these goals to be met over a full market cycle or a three to five year period. It is understood that there will be short-term periods during which a Manager's performance deviates from the market indices. This is done to reduce the likelihood of terminating a Manager whose investment style is out of favor when that Manager may, in fact, be outperforming its peer group. It is the Board's goal for each Manager to achieve a total return in the top 40% of a representative universe of similar managers over a full market cycle and that the consultants perform a peer review of each manager on an annual basis.

For each asset class within the Fund, each Manager's performance will be compared to a primary benchmark appropriate for that Manager's sector and style, and mutually agreed upon by the Manager and the Fund's consultant. It is the Board's goal that each Manager outperforms their primary benchmark over a full market cycle. Where appropriate, a Manager will also be compared against a secondary benchmark, selected by the consultant, to give the Board a broader framework to evaluate that Manager's performance relative to its particular sector and style.

While it is the board's intention to fairly evaluate each Manager's performance, both absolute and relative, over a reasonable period of time, the Board clearly retains the right to terminate a Manager for any reason including but not limited to the following:

- Failure to meet Board's communication and reporting requirements.
- Failure to respond promptly to the Board's concerns.
- Unacceptable justification for poor results.
- If the Manager incurs excessive risks.
- A significant change in key personnel or a change in ownership.
- When the Board reaches a consensus that a change of Manager would be in the best interests of the Fund, with or without cause. (This judgment by the Board is sufficient justification for termination in and of itself.).
- If the Manager fails to comply with all applicable laws and statutes, including this document.

7.3 Manager Meetings and Report Agenda

On occasion the Board may request a formal presentation by a manager at a scheduled board meeting. The date of the meeting will be scheduled in advanced and notification will be made in writing. Although the Board does not intend to limit the presentation by the Manager, it is requested that the following items be addressed by the Manager at a minimum:

- Economic and investment background.
- Actual portfolio composition versus stated investment style, market sector, and methodology.
- A review of actual results of the Fund's portfolio, including measures of both risk and return, under that Manager's supervision in relation to the Manager's short, intermediate, and long-term track record.
- Any changes in the Manager's style, internal policies, or investment management process.
- Any changes in personnel.
- Proxy voting record (if applicable).
- A review of any guidelines contained in this document which might constrain the Manager adversely in the performance of its duties, and recommendations concerning any changes in policy which should be given consideration by the Board.

Appendix A: Trustee Acknowledgement of Adoption or Revision of Investment Policy Statement

Please sign and return this letter to UBS as acknowledgement of approval of the Lisle-Woodridge FPD's Pension Fund's Statement of Investment Policy, Guidelines, and Investment Objectives.

This statement is adopted on__________, 20____by the Trustees whose signatures appear below.

______________________________	______________________________
President of the Lisle-Woodridge FPD's Pension Fund	Secretary of the Lisle-Woodridge FPD's Pension Fund
______________________________	______________________________
Trustee	Trustee
______________________________	
Trustee	

Appendix B: Manager Acknowledgement Letter

April XX, 2018

<<Rep_Name>>
<<Manager_Name>>
<<Manager_Address>>
<<Manager_City_St_Zip>>

Re: Acknowledgement of Receipt of Statement of Investment Policy, Guidelines, and Investment Objectives

Dear Sir or Madam:

Please sign and return this letter to us as acknowledgement of your receipt of the Lisle-Woodridge FPD's Pension Fund's Statement of Investment Policy, Guidelines, and Investment Objectives.

This signed letter also serves as your acknowledgement and agreement in writing of your fiduciary responsibility to fully comply with the Statement of Investment Policy, Guidelines, and Objectives unless you and the Lisle-Woodridge FPD's Pension Fund in advance of any non-complying action agree upon a deviation in writing. It is the intention of the Lisle-Woodridge FPD's Pension Fund to review the above named document on an annual basis to reaffirm the continued relevancy or to revise it as deemed appropriate. You will be notified in writing of any changes to the document.

Yours very truly,

Brenda Paulson
The Willhite Institutional Consulting Group

Acknowledged and agreed to by the Manager:

Signed: ______________________________ Date: __________

Title: ______________________________

Printed Name: ______________________

Please return a signed copy of this letter to:
Brenda Paulson
UBS Financial Services
1780 Hughes Landing Blvd, 3 Hughes Landing, Suite 200
The Woodlands, TX 77380
(855) 723-1241 via fax
brenda.paulson@ubs.com via email

Asset Class:	Strategic Asset Allocation	Allocation Range	Target Risk CMA	Target Return CMA	Primary Benchmark
Domestic Large Cap	15.00%	0-20%	16.80%	7.50%	S&P 500
Domestic Small/Mid Cap	10.00%	0-18%	20.70%	8.50%	Russell 2500
International Dev. Equity	11.00%	0-22%	19.70%	8.50%	MSCI EAFE
Emerging Markets Equity	9.00%	0-12%	25.50%	10.00%	MSCI EM
Tactical All Asset	8.00%	0-12%	6.70%	6.20%	HFRI Global Macro
Real Estate	2.50%	0-15%	11.80%	8.50%	FTSE NAREIT US
High Yield Bonds	9.50%	0-12%	3.64%	5.17%	Barclays US Agg
Fixed Income & Cash	35.00%	25-85%	4.30%	2.20%	Barclays US Agg / Barclays 3 mo T-bill