

Motion- Dec 8, 2011

BOARD MEETING AGENDA ITEM - HISTORY/COMMENTARY	
<b>ITEM TITLE:</b> Motion to Accept House Bill 5088 - Municipal Compliance Report from the Woodridge Police Pension Board for the Year Ended April 30, 2011	<b>AGENDA DATE:</b> 12/8/2011 VII D
<b>ITEM REVIEW:</b>  Director of Finance Village Administrator	
<b>ITEM HISTORY:</b> House Bill 5088 (Public Act # 095-0950) signed into law August 29, 2008 established the Municipal Compliance Report that requires the Police Pension Board to report on the condition of the pension fund to the municipal Village Board. This is the 3rd year the Compliance Report has been presented to the Village Board.	
<b>ITEM DISCUSSION:</b> The Woodridge Police Pension Board must report on the condition of the pension fund to the Village of Woodridge Board of Trustees before the tax levy is filed by the last Tuesday in December. The bill allows municipalities to publish the report in its entirety in a newspaper of general circulation in the municipality or on the municipality's website.	
<b>ACTION PROPOSED:</b> Accept House Bill 5088 - Municipal Compliance Report from the Woodridge Police Pension Board for the Year Ended April 30, 2011	

VILLAGE OF WOODRIDGE, ILLINOIS  
POLICE PENSION FUND

HOUSE BILL 5088 – MUNICIPAL COMPLIANCE REPORT

FOR THE YEAR ENDED

APRIL 30, 2011

November 22, 2011

Members of the Pension Board of Trustees  
Woodridge Police Pension Fund  
Woodridge, IL


Enclosed please find a copy of your Municipal Compliance Report for the Police Pension Fund for the year ended April 30, 2011. We have prepared the report with the most recent information available at our office. Should you have more current information, or notice any inaccuracies, we are prepared to make any necessary revisions and return them to you.

The President and Secretary of the Pension Fund are required to sign the report on page 3. If not already included with the enclosed report, please also include a copy of the Pension Fund's most recent investment policy.

The signed House Bill 5088 - Municipal Compliance Report must be provided to the Municipality before the tax levy is filed on the last Tuesday in December. We are sending the report via email to promote an environmentally-friendly work atmosphere.

If you have any questions regarding this report please contact Matt Beran at 515.556.4052.

Respectfully submitted,



LAUTERBACH & AMEN, LLP

**VILLAGE OF WOODRIDGE, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2011**

The Pension Board certifies to the Board of Trustees of the Village of Woodridge, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

- 1) The total assets of the fund and their current market value of those assets:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Assets	<u>\$ 25,505,854</u>	<u>\$ 22,660,282</u>
Market Value	<u>\$ 25,505,854</u>	<u>\$ 22,660,282</u>

- 2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers and from other sources:

Estimated Receipts - Employee Contributions	<u>\$ 518,800</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$ 1,976,700</u>
Municipal Contributions	<u>\$ 1,306,305</u>

- 3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 3 of the Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:

(a) Pay all Pensions and Other Obligations	<u>\$ 2,312,400</u>
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	<u>\$ N/A</u>
Private Actuary- Timothy W. Sharpe	
Recommended Municipal Contribution	<u>\$ 1,306,305</u>
Statutory Municipal Contribution	<u>\$ 969,229</u>

**VILLAGE OF WOODRIDGE, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2011**

- 4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Net Income Received from Investment of Assets	<u>\$ 2,817,824</u>	<u>\$ 3,791,028</u>
Assumed Investment Return		
Illinois Department of Insurance	<u>N/A</u>	<u>7.00%</u>
Private Actuary	<u>7.75%</u>	<u>7.75%</u>
Actual Investment Return	<u>11.70%</u>	<u>18.19%</u>

- 5) The total number of active employees who are financially contributing to the fund:

Number of Active Members	<u>51</u>
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- 6) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	<u>Number of</u>	<u>Total Amount Disbursed</u>
(i) Regular Retirement Pension	<u>27</u>	<u>\$ 1,613,651</u>
(ii) Disability Pension	<u>2</u>	<u>\$ 79,124</u>
(iii) Survivors and Child Benefits	<u>2</u>	<u>\$ 95,358</u>
Totals	<u>31</u>	<u>\$ 1,788,133</u>

**VILLAGE OF WOODRIDGE, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2011**

7) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	<u>N/A</u>	<u>50.79%</u>
Private Actuary	<u>61.60%</u>	<u>57.20%</u>

8) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	<u>\$ N/A</u>
Private Actuary- Timothy W. Sharpe	<u>\$ 25,504,054</u>

The accrued liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

9) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

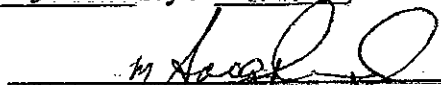

Investment Policy - See Attached

Please see Notes Page attached

CERTIFICATION OF MUNICIPAL POLICE  
PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §3-143 of the Illinois Pension Code 40 ILCS 5/3-143, that the preceding report is true and accurate.

Adopted this 23<sup>rd</sup> day of Nov, 2011

President	<u></u>	Date	<u>11-23-11</u>
Secretary	<u></u>	Date	<u>11-24-11</u>

**VILLAGE OF WOODRIDGE, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2011**

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**INDEX OF ASSUMPTIONS**

- 1) Total Assets - as Reported in the Audited Financial Statements for the Years Ended April 30, 2011 and 2010.

Market Value - Same as Above.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended April 30, 2011 plus 5.5% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest \$100.

Estimated Receipts - All Other Sources

Investment Earnings - Cash and Equivalents and Investments as Reported in the Audited Financial Statements for the Year Ended April 30, 2011, times 7.75% (Actuarial Investment Return Assumption) Rounded to the Nearest \$100.

Municipal Contributions - Tax Levy Requirement as Reported by Timothy W. Sharpe Actuarial Valuation for the Year Ended April 30, 2011.

- 3) (a) Pay all Pensions and Other Obligations - Total Deductions as Reported in the Audited Financial Statements for the Year Ended April 30, 2011, plus a 25% Increase, Rounded to the Nearest \$100.

(b) Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance - No April 30, 2011 Actuarial Valuation available at the time of this report.

Private Actuary

Recommended Amount of Tax Levy as Reported by Timothy W. Sharpe in the April 30, 2011 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Timothy W. Sharpe in the April 30, 2011 Actuarial Valuation.

**VILLAGE OF WOODRIDGE, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2011**

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**INDEX OF ASSUMPTIONS - Continued**

- 4) **Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended April 30, 2011 and 2010.**

**Assumed Investment Return**

**Illinois Department of Insurance - Preceding Fiscal Year Interest Rate Assumption as Reported in the April 30, 2010 Actuarial Valuation. No April 30, 2011 Actuarial Valuation available at the time of this report.**

**Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Timothy W. Sharpe, April 30, 2011 and 2010 Actuarial Valuations.**

**Actual Investment Return - Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning and End of Year Cash and Cash Equivalents and Investments as Reported in the Audited Financial Statements for the Fiscal Years Ended April 30, 2011, 2010 and 2009.**

- 5) **Number of Active Members - Illinois Department of Insurance Annual Statement for April 30, 2011 - Schedule P.**
- 6) (i) **Regular Retirement Pension - Illinois Department of Insurance Annual Statement for April 30, 2011 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.**
- (ii) **Disability Pension - Same as above.**
- (iii) **Survivors and Child Benefits - Same as above.**

**VILLAGE OF WOODRIDGE, ILLINOIS  
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2011**

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**INDEX OF ASSUMPTIONS - Continued**

**7) The funded ratio of the fund:**

Illinois Department of Insurance - Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the April 30, 2010 Actuarial Valuation. No April 30, 2011 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the Timothy W. Sharpe, April 30, 2011 and 2010 Actuarial Valuations.

**8) Unfunded Liability:**

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) - No April 30, 2011 Actuarial Valuation available at the time of this report.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Timothy W. Sharpe in the April 30, 2011 Actuarial Valuation.

# WOODRIDGE POLICE PENSION FUND INVESTMENT POLICY

## PURPOSE AND OBJECTIVE

The investment of pension funds is the responsibility of the members of the Board of Trustees of the Woodridge Police Pension Fund (Pension Board). The purpose of this investment policy is to indicate a conscious, formal effort by the Pension Board to develop, implement and monitor the investment of pension funds. It shall be considered an important means to communicate the Pension Board's policy views on management of pension funds to the public, participants, and beneficiaries of the Woodridge Police Pension Fund (Fund).

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

Safety of principal is the foremost objective of the Pension Fund. Each investment transaction shall seek to first ensure that large capital losses are avoided whether they are from securities defaults or erosion of market value. The Pension Board seeks to attain market rates of return on its investments consistent with constraints imposed by its safety objectives, cash flow considerations and Illinois state laws that restrict the placement of public funds.

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

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

## RESPONSIBILITY

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

The Pension Board will meet with the investment manager at least quarterly to review market conditions, review the investment portfolio, and determine investment strategy. The Treasurer of the Pension Fund is responsible for ensuring that all investment transactions undertaken are consistent with the Fund's investment strategy.

## **PRUDENCE**

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

## **PROHIBITED TRANSACTIONS**

A. Fiduciary with respect to the Fund shall not:

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

## **INVESTMENT INSTRUMENTS**

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

1. Interest bearing direct obligations of the United States of America.
2. Interest bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America.
3. Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this section, "Agencies of the United States of America" include:
  - a. The Federal National Mortgage Association and the Student Loan Marketing Association
  - b. Federal Land Banks, Federal Intermediate Credit Banks, Federal Farm Credit Banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Act of 1971 or amendments to that Act

- c. Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation
  - d. Any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
4. Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, or by State of Illinois chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
  5. Interest bearing bonds of the State of Illinois.
  6. Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool in accordance with the Deposit of State Moneys act, interest bearing funds or pooled accounts of the Illinois Metropolitan Investment Funds, and interest bearing funds or pooled accounts managed, operated, and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the law of the State of Illinois.
  7. Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
  8. Direct obligations of the State of Israel.
  9. Money Market Mutual Funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies; provided that the portfolio of the money market mutual fund is limited to:
    - a. Bonds, notes, certificates of indebtedness, treasury bills, or other securities that are guaranteed by the full faith and credit of the United States of America as to principal and interest.
    - b. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
    - c. Short term obligations of corporations organized in the United States with assets exceeding \$400,000,000, provided that i) the obligations mature no later than 180 days from the date of purchase, ii) at the time of purchase, the obligations are rated by at least 2 standard national rating services at one of their 3 highest classifications, and iii) the obligations held by the mutual fund do not exceed 10% of the corporation's outstanding obligations.
  10. Separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stock, bonds or money market instruments or mutual funds that meet the following requirements:

- a. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.
  - b. The mutual fund must have been in operation for at least 5 years.
  - c. The mutual fund must have total net assets of \$250,000,000 or more.
  - d. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.
11. Corporate bonds, managed through an investment advisor, and the bonds meet the following requirements:
- a. The bonds must be rated as investment grade by one of the two largest rating services at the time of purchase.
  - b. If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.
12. A pension fund with net assets of \$2,500,000 or more, it may invest a portion of its net assets, not to exceed 45% of the market value of the pension fund's net present assets as stated in its most recent annual report on file with the Illinois Department of Insurance, in separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stock, bonds or money market instruments or mutual funds that meet the following requirements:
- a. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.
  - b. The mutual fund must have been in operation for at least 5 years.
  - c. The mutual fund must have total net assets of \$250,000,000 or more.
  - d. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.
13. A pension fund with net assets of \$5,000,000 or more and has appointed an investment adviser under Section 1-113.5, may invest in common and preferred stocks that meet the following requirements:
- a. The common stocks must be listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
  - b. The securities must be of a corporation in existence for at least 5 years.
  - c. The market value of stock in any one corporation may not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any

one corporation may not exceed 5% of the total outstanding stock of that corporation.

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

14. In addition to the above, if the Fund has net assets of \$10,000,000 or more and has appointed an investment adviser under Sections 1-101.4 and 1-113.5, it may, through that investment adviser, invest an additional portion of its assets in common and preferred stocks and mutual funds that meet all of the following requirements:

These stocks must meet all of the following requirements:

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

These mutual funds must meet the following requirements:

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

The Fund's total investment in equity investments authorized under Sections 10, 12, 13, 14 and 15 shall not exceed 45% until June 30, 2011, 50% effective July 1, 2011 and 55% effective July 1, 2012 of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

The Board of Trustees may register the investments of the Fund in the name of the Pension Fund, in the nominee name of a bank or trust company authorized to conduct trust business in Illinois, or in the nominee name of the Illinois Public Treasurer's Investment Pool.

## PERFORMANCE MEASUREMENTS

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

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

## CONTROLS

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

## DIVERSIFICATION / STRATEGY

### Fixed Income:

The average maturity/duration of the portfolio will be managed based upon the current existing interest rate environment. Under most circumstances the maturity/modified duration of the portfolio will be maintained at approximately 5.0 years and will range from 2.0 years to 7.0 years. This type of strategy will result in increasing the maturity/duration of the portfolio when interest rates are rising and decreasing the maturity/duration of the portfolio if interest rates are

declining. The investment manager may change the duration of the portfolio as the market conditions permit.

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

	<u>Target Allocation</u>	<u>Range of Allocation</u>
Cash, Money Market, IPTIP accounts: 1	0%	0 – 10%
Bank Certificates of Deposit: 2	0%	0 – 10%
U.S. Treasury Securities:	10%	0 – 40%
U.S. Government Agency Securities:	50%	0 – 75%
U.S. Government Agency MBS's:	0%	0 – 20%
Taxable Municipal Securities:	10%	0 – 20%
Corporate Bonds:	30%	0 – 50%

**Notes:**

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

**Equities:**

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

	<u>Target Allocation</u>	<u>Range of Allocation</u>
U.S. Large Company Stocks	35%	0 – 55%
U.S. Mid-Sized Company Stocks	10%	0 – 15%
U.S. Small Company Stocks	25%	0 – 40%
Foreign Stocks	15%	0 – 25%
Real Estate Funds	5%	0 – 10%
Alternative Investments	10%	0 – 15%

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

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

1. Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:
  - a. U.S. Government Securities = 110%
  - b. Obligations of Federal Agencies = 115%
  - c. Obligations of the State of Illinois = 115%
  - d. Local and Municipal Bonds rated "A" or better by Moody's = 115%

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

2. **Safekeeping of collateral**

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

**CUSTODY AND SAFEKEEPING OF INVESTMENTS**

1. Third party safekeeping is required for all securities owned by the Fund. To accomplish this, the securities shall be held in a trust department through book-entry at the Depository Trust Company.
2. Safekeeping shall be documented by an approved written agreement. The agreement may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody

agreement. Fees for this service shall be mutually agreed upon by the Pension Board and the safekeeping bank.

## **ETHICS AND CONFLICTS OF INTEREST**

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

## **INDEMNIFICATION**

Pension Board members, investment officers, and the Treasurer acting in accordance with this Investment Policy and such written procedures as have been or may be established, in relation thereto, and exercising due diligence, shall be relieved of personal liability for an individual security's credit risk or market changes.

## **REPORTING**

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

## **MEETING SCHEDULE**

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

## **AUDIT**

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

## **DEFINITIONS**

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

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

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

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

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

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

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

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

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

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

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

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

**Return** - the profit or interest as payment for investment.

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

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

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

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

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

**Treasury Bill** - short-term debt obligation of U.S. government which will mature within ten years at the time of original issuance.

**Treasury Bond** - longer debt obligations of U.S. government which will mature in ten years or longer at the time of original issuance.

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

#### **AMENDMENT**

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

#### **CONFLICT**

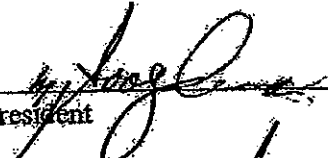
In the event of any conflict between this Policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, the Statutes and case law decisions shall govern.


#### **FILING OF POLICY; PUBLIC AVAILABILITY**


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

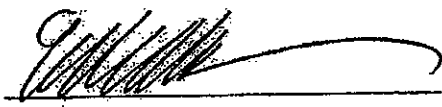
**ADOPTION**

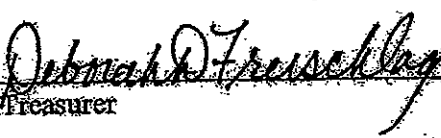
Adopted by the Woodridge Police Pension Fund Board of Trustees, as amended, on this 20<sup>th</sup> day of April, 2011.

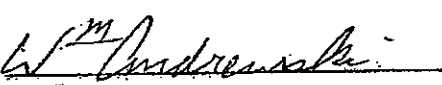
  
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President

  
\_\_\_\_\_  
Trustee

  
\_\_\_\_\_  
Secretary

  
\_\_\_\_\_  
Trustee

  
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Treasurer

  
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Trustee

04/2011.