

Village of Orland Park OPEB Trust Fund

Statement of Investment Policies and Objectives

INTRODUCTION

The purpose of this document is to set forth the investment policies and objectives with respect to the assets of the Village of Orland Park OPEB Trust Fund (the "Fund") in order that:

1. Standards for the safekeeping of Fund assets are specified.
2. There is a clear understanding by all parties of the goals pertaining to the investment of the assets of the Fund.
3. There is a basis for the evaluation of the investment performance of the Fund and its investment managers.
4. The duties and responsibilities of the Board of Trustees ("Trustees™") and staff are defined.
5. Criteria for investment diversification and investment manager selection are established.

SAFEKEEPING OF ASSETS

1. Assets of the Fund are to be held in a designated trust account at a custodian bank licensed to conduct business in Illinois. At the direction of the Trustees, funds may be maintained outside this account for the purpose of facilitating the administration of the Fund.
 2. Collateralization. Monies held in depository accounts, time deposit accounts, or money market mutual funds, or invested in the certificates of deposit of financial institutions (banks, savings and loan associations, or credit unions) in excess of FDIC or SAIF insurance shall be secured by some form of collateral. The Village will accept the following assets as collateral:
 - U.S. Government securities
 - Obligations of federal agencies
 - Obligations of federal instrumentalities
 - General obligation bonds of any United States state or local government rated "A" or better (i.e., at least upper medium quality) by Moody's Investors Service, Standard & Poor's Rating Service, or Fitch Investors Service
- a. Notwithstanding clause (2) hereof, the Finance Director may reject any form of collateral at any time.
 - b. The amount of the collateral provided by a financial institution will not be less than 110% of the market value of the net amount of deposits and investments to be secured. The ratio of market value of collateral to the amount of funds to be secured will be reviewed quarterly by the Finance Director. Additional collateral will be requested of a financial institution when the ratio declines below the required level.

Collateral may not be released without the signature of the Finance Director. Pledged collateral will be held in safekeeping, by an independent third-party depository, or the Federal Reserve Bank, as designated by the Finance Director, and evidenced by a safekeeping receipt.

- c. The market value of collateral will be determined based upon quotations reflected in the edition of The Wall Street Journal published on the first business day following the quarter concerned. (This edition will report the market value of securities as of the last day of the quarter concerned.) If a security provided as collateral is not listed in The Wall Street Journal, its market value will be determined using a comparable source acceptable to the Finance Director.
- d. Financial institutions pledging collateral will sign a collateral agreement acceptable to the Finance Director.
- e. Brokers and Dealers. All trades with a broker/dealer shall be conducted on a Delivery versus Payment basis.

INVESTMENT OBJECTIVES

The goals of the Fund are to:

- 1. Achieve an annual investment return target of 7.0% over a 10 year time period.
- 2. Achieve a funding level that provides for continuous and timely satisfaction of current outstanding liabilities. .
- 3. Achieve an annual investment return that exceeds inflation by 4% over a 3 to 5 year time period.

PHILOSOPHY AND FUND OPERATION

All assets of the Fund are for the exclusive benefit of Fund participants. Fund assets shall be invested solely in the interest of the Fund beneficiaries for the exclusive purpose of:

- 1. Providing post-employment healthcare benefits to retiree employees and eligible dependents.
- 2. Defraying the reasonable expenses of administering the Fund.

It is the duty of the Trustees to supervise the management of the fund assets in accordance with this policy and the Village of Orland Park OPEB Trust Agreement authorized _____, as may be amended from time to time.

The Trustees may delegate specific fund management duties to the Finance Director or the Assistant Finance Director.

PERMITTED INVESTMENTS

Public Market Investments: Stocks traded on major U.S. and non-U.S. exchanges, securities listed on NASDAQ, mutual funds and commingled funds are permitted investments.

Investment grade fixed income instruments are permitted subject to manager guidelines. Investments in options, futures, commodities and non-marketable illiquid investments are prohibited. Specific guidelines for permitted investments for each manager will be maintained.

ASSET ALLOCATION

Acceptable Ranges of Commitment

	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
<u>Equity</u>			
Total Equity	45	55	60
Total U.S. Equity	35	40	55
U.S. Large Capitalization Equity	30	30	40
U.S. Small/Mid-Capitalization Equity	5	10	15
International Equity	5	10	15
Real Estate Equity	0	5	10
<u>Fixed Income</u>			
Total Fixed Income	40	45	55
U.S. Fixed Income	40	45	50
Cash*	0	0	5

Minimums and maximums may not add up to 100%

*Cash reserves held to pay claims shall not, for purposes of this policy, be considered to be part of this allocation.

Allocations among investment managers will be supervised by the Trustees in order to maintain asset allocations within the policy guidelines set forth herein. The Investment Management Consultant (the "Consultant") shall monitor asset allocation, from time to time, and recommend to the Trustees any changes needed to rebalance the fund so that allocation of assets stays within the Acceptable Ranges of Commitment. Rebalancing must take place no later than 3 quarters after the allocation is out of the Acceptable Ranges of Commitment. The Consultant shall confer with the Trustees from time to time to determine whether changes in the Acceptable Ranges of Commitment are required.

DIVERSIFICATION

The investment of the Fund's assets shall be diversified to reduce the risk of large losses. The Trustees are responsible for diversifying by asset class and investment manager style. Each investment manager is responsible for diversifying within the asset management role for which they have been selected.

INVESTMENT MANAGER SELECTION

The responsibility for managing fund assets will be delegated to investment managers with expertise appropriate for their assigned role. Both mutual funds and separately managed accounts are acceptable. The Consultant will assist the Trustees with selecting, hiring, and monitoring investment managers. All investment managers must be Registered Advisors under the 1940 Act. Managers must have a minimum of \$100 million of assets under management and have a minimum of five years of experience in the investment discipline for which they are selected.

LIQUIDITY

The Fund will maintain adequate liquidity to meet claim payments. Investment managers will be advised as far in advance as possible of additions to or withdrawals from their portfolios.

POLICY, OBJECTIVES AND PERFORMANCE REVIEW

The Trustees are responsible for reviewing the policies and objectives of the Fund and the investment performance of the Fund and managers.

POLICY AND OBJECTIVES REVIEW

The policies and objectives of the Fund will be reviewed at least annually. These reviews will focus on the continued feasibility of the Fund's policies and objectives, and the continued appropriateness of the investment policies for achieving the objectives. The Trustees may institute modifications of policies and objectives as would be permitted within the Trust agreement.

PERFORMANCE REVIEW

The investment performance of the Fund and managers will be reviewed quarterly.

Performance reviews will focus on investment results in relation to objectives and adherence to investment policies. The reviews will encompass investment market opportunities, performance in relation to risk, and comparison to funds and managers with similar investment characteristics. The Fund is expected to perform within the top 40% of funds with a similar level of risk over a three to five year market cycle.

The Trustees will provide each investment manager with their (its) own policies and objectives tailored to their (its) particular investment style and strategy. These investment policies and objectives will be established by the Trustees in conjunction with the Consultant. Manager reviews will focus on adherence to policy, progress toward achievement of objectives, and performance relative to opportunities. Each manager is expected to perform in the top one-half of the appropriate peer group over a market cycle. The Trustees will make their determinations about manager retention and replacement based on the above criteria and their considered opinion of the merits of an investment manager's capabilities.