**Section 721.330 Investment Policy and Guidelines**

a) The investment policy is a written statement that describes the risk management and oversight program and should be designed to perform the following:

1) ensure that an effective risk management system is in place to monitor the risk levels of the Program;

2) outline the overarching investment framework of the Program, including, but not limited to, the investment options offered to participants and the composition of investment products;

3) expand upon the corresponding asset allocation and glide paths associated with the necessary investment options offered to participants;

4) provide an integrated process for overall risk management to ensure that the risks taken are prudent and properly managed and determine whether the risks taken are adequately compensated compared to applicable performance benchmarks and standards; and

5) assess investment returns and set applicable benchmarks to assess the investment returns for underlying investment funds.

b) The investment policy shall be adopted at a public meeting of the Board and posted *on the Board's or Treasurer's website* (see Section 721.720) *at least 30 days prior to implementation of the policy*. [820 ILCS 80/35]

c) The investment policy shall be reviewed annually by the Board.

d) To serve the best interest of participants, the Board shall abide by the following investment principles when selecting investment options for the Program:

1) Low Cost – The investment options shall be constructed and administered in a manner that minimizes fees to participants. It is understood that these costs diminish the total return accorded to participants. The lowest cost index-based portfolios shall be viewed as the default standard in evaluating investment management fees.

2) Open Architecture – The investment framework shall utilize an open architecture plan design, meaning it will not be required to use proprietary funds. The open architecture design shall allow the Board to select the underlying investment funds. The open architecture design shall also provide the Board with: access to best in class portfolio managers; the ability to use nonproprietary products; increased flexibility when choosing underlying strategies; and the ability to obtain the lowest participant fees for underlying investment funds and accounts.

3) Market Performance – The investment options may be selected and administered in a manner that consistently tracks market performance, as measured in comparison to applicable market benchmarks, thus eliminating the potential for significant underperformance.

4) Simplicity – The investment options shall be constructed and administered in a manner that provides a range of clear, easily understood options (defined in terms of expected risk/return) in order to maximize participation and savings. Furthermore, the Program shall be designed and administered in a manner that strives to achieve full transparency by delineating accordant investment expenses, program management fees, and administrative expenses. In addition, the Program shall provide a clear and simple investment approach for participants who fail to elect an investment option.

e) The Board shall establish investment options for any or all of the following categories:

1) The Life-Cycle Fund Option shall be the default investment option. This fund option shall utilize dynamic asset allocations that adjust throughout glide paths that are tailored to meet investment objectives based on various investor time horizons while maintaining an optimal balance of investment risk and return. The funds move towards a more risk-averse asset allocation as the target date approaches. These options shall be invested in investment vehicles, such as mutual funds, that may include some or all of the following asset classes:

A) domestic and international equity;

B) domestic and international fixed income;

C) real estate investment trusts (REITs); and

D) cash and cash equivalent (i.e., money market funds).

2) Static Portfolio Investment Option, which shall be composed of fixed asset allocations to fit a participant's risk profile (i.e., aggressive, moderate or conservative risk profiles). These options shall be invested in investment vehicles, such as mutual funds, that may include some or all of the following asset classes:

A) domestic and international equity;

B) domestic and international fixed income;

C) real estate investment trusts (REITs); and

D) cash and cash equivalent (i.e., money market funds).

3) Capital Preservation Investment Option, which shall be composed of high quality, short-term debt securities that reflect short-term interest rates with the objective of producing a rate of return that is higher than inflation while avoiding exposure to credit (i.e., default) risk and market price fluctuations.

f) The Board shall regularly monitor and review the investment options and its underlying investment funds that are offered to participants.