

**State of Illinois
Office of the Treasurer
Illinois Achieving a Better Life
Experience Program**

Financial Audit
For the Years Ended June 30, 2020 and 2019

Performed as Special Assistant Auditors
for the Auditor General, State of Illinois

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Financial Audit
For the Years Ended June 30, 2020 and 2019**

Table of Contents

	Page
Office of the Treasurer's Officials	1
Financial Statement Report	
Summary	2
Independent Auditor's Report	3
Financial Statements	
Statements of Fiduciary Net Position	5
Statements of Changes in Fiduciary Net Position	6
Notes to the Financial Statements	7
Supplementary Information	
Statements of Fiduciary Net Position by Portfolio	13
Statements of Changes in Fiduciary Net Position by Portfolio	15
Note to the Supplementary Information	17
Other Information	
Key Performance Measures (Unaudited)	18
National ABLE Alliance Achieving a Better Life Experience	
Illinois Investment Policy Statement – Effective April 2020 (Unaudited)	19
Illinois Investment Policy Statement – Effective June 2019 through April 2020 (Unaudited)	45
Illinois Investment Policy Statement – Effective September 2018 through June 2019 (Unaudited)	54
Illinois Investment Policy Statement – Effective May 2018 through September 2018 (Unaudited)	63
Independent Auditor's Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	71
Schedule of Findings	
Prior Finding Not Repeated	73

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Financial Audit
For the Years Ended June 30, 2020 and 2019**

Office of the Treasurer's Officials

Treasurer	The Honorable Michael W. Frerichs
Chief of Staff	Mr. G. Allen Mayer
Deputy Treasurer & Chief Investment Officer	Mr. Rodrigo Garcia
General Counsel & Ethics Officer (December 1, 2019 to Present)	Ms. Laura Duque
General Counsel & Ethics Officer (<i>Acting</i>) (July 1, 2019 to November 30, 2019)	Mr. Chris Flynn
Executive Inspector General for the Illinois State Treasurer (February 17, 2020 to Present)	Mr. Dennis Rendleman
Executive Inspector General for the Illinois State Treasurer (January 1, 2020 to February 16, 2020)	Vacant
Executive Inspector General for the Illinois State Treasurer (July 1, 2019 to December 31, 2019)	Mr. Raymond Watson
Chief Internal Auditor	Ms. Leighann Manning
Chief Financial Products Officer	Mr. Fernando Diaz
Director of Illinois ABLE	Ms. JJ Hanley
Director of Investment Analysis and Due Diligence	Mr. Joe Aguilar
Director of Fiscal Operations	Ms. Deborah Miller

Office of the Treasurer's Offices

The Office of the Treasurer had the following administrative office locations during the year:

Executive Office State Capitol 219 State House Springfield, Illinois 62706	Chicago Office Legal/Programmatic James R. Thompson Center 100 West Randolph Street, Suite 15-600 Chicago, Illinois 60601
Operational Division Illinois Business Center 400 West Monroe, Suite 401 Springfield, Illinois 62704	Unclaimed Property Division Myers Building 1 W. Old State Capitol Plaza, 1 st and 4 th Floors Springfield, Illinois 62701

FINANCIAL STATEMENT REPORT

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Financial Audit
For the Years Ended June 30, 2020 and 2019**

Financial Statement Report

Summary

The audits of the accompanying financial statements of the Illinois Achieving a Better Life Experience program (ABLE) of the State of Illinois, Office of the Treasurer, were performed by Crowe LLP as of and for the years ended June 30, 2020 and 2019.

Based on their audits, the auditors expressed an unmodified opinion on ABLE's financial statements.

Summary of Findings

<u>Item No.</u>	<u>Page</u>	<u>Last/First Reported</u>	<u>Description</u>	<u>Finding Type</u>
PRIOR FINDING NOT REPEATED				
A	73	2019/2017	Lack of Adequate Controls over the Review of External Service Provider	Material Weakness

Exit Conference

The Office waived an exit conference in a correspondence from Leighann Manning, Chief Internal Auditor, on December 16, 2020.

INDEPENDENT AUDITOR'S REPORT

Independent Auditor's Report

The Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited the accompanying financial statements of the Achieving a Better Life Experience Program (ABLE), a fiduciary (private-purpose trust) fund of the State of Illinois, Office of the Treasurer, as of and for the years ended June 30, 2020 and 2019, and the related notes to the financial statements, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of ABLE, of the State of Illinois, Office of the Treasurer, as of June 30, 2020 and 2019, and the changes in financial position thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

As discussed in Note 1, the financial statements present only ABLE, and do not purport to, and do not, present fairly the financial position of the State of Illinois or the State of Illinois, Office of the Treasurer, as of June 30, 2020 and 2019, and the changes in its financial position, or, where applicable, cash flows for the years then ended in accordance with accounting principles generally accepted in the United States of America. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the financial statements. Such missing information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. Our opinion on the financial statements is not affected by this missing information.

Other Information

Our audits were conducted for the purpose of forming an opinion on the financial statements of ABLE of the State of Illinois, Office of the Treasurer. The Supplementary Information (pages 13 - 17) and Other Information (pages 18 - 70) as listed in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements.

The Supplementary Information, consisting of the statements by portfolio and note to the supplementary information, is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supplementary Information is fairly stated, in all material respects, in relation to the financial statements as a whole.

In addition, the Other Information, consisting of Key Performance Measures and the National ABLE Alliance Achieving a Better Life Experience, Illinois Investment Policy Statements, have not been subjected to the auditing procedures applied in the audit of the financial statements, and accordingly, we do not express an opinion or provide any assurance on them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 18, 2020 on our consideration of the State of Illinois, Office of the Treasurer's internal control over financial reporting of ABLE and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the Office of the Treasurer's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Office of the Treasurer's internal control over financial reporting of ABLE and its compliance.

Crowe LLP

Springfield, Illinois
December 18, 2020

FINANCIAL STATEMENTS

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Statements of Fiduciary Net Position
June 30, 2020 and 2019**

	2020	2019
Assets		
Investments	\$ 11,502,189	\$ 5,833,289
Redemption Proceeds Receivable	15,853	7,940
Total Assets	<u>11,518,042</u>	<u>5,841,229</u>
Liabilities and Net Position		
Withdrawals Payable	15,853	7,940
Total Liabilities	15,853	7,940
Net Position Held in Trust for Participants	<u>\$ 11,502,189</u>	<u>\$ 5,833,289</u>

The accompanying notes are an integral part of these statements.

State of Illinois
Office of the Treasurer

Illinois ABLE Program
Statements of Changes in Fiduciary Net Position
For the Years Ended June 30, 2020 and 2019

	2020	2019
Additions		
Investment Income		
Investment Earnings	\$ 156,858	\$ 220,490
Other Income	1,789	562
Total Investment Income	<u>158,647</u>	<u>221,052</u>
Investment Expenses		
Management Fees	19,827	8,968
Other Expense	1,082	1,116
Total Investment Expenses	<u>20,909</u>	<u>10,084</u>
Net Investment Income	<u>137,738</u>	<u>210,968</u>
Other Participant Transactions		
Program Contributions	<u>7,345,039</u>	<u>4,170,697</u>
Total Additions	<u>7,482,777</u>	<u>4,381,665</u>
Deductions		
Program Withdrawals	<u>1,813,877</u>	<u>844,026</u>
Increase in Net Position	5,668,900	3,537,639
Net Position, Beginning	<u>5,833,289</u>	<u>2,295,650</u>
Net Position, End	<u>\$ 11,502,189</u>	<u>\$ 5,833,289</u>

The accompanying notes are an integral part of these statements.

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019**

Background

The Stephen Beck Jr., Achieving a Better Life Experience Act of 2014 (the “ABLE Act”) enacted on December 19, 2014, as part of The Tax Increase Prevention Act of 2014 (Pub. L. 113-295), added section 529A to the Internal Revenue Code of 1986, as amended (Section 529A). The ABLE Act provides eligible individuals with blindness or qualifying disabilities a means to save for disability-related expenses in a tax-advantaged way. Section 529A allows the creation of a “qualified ABLE program” by a state under which a separate ABLE account may be established for a disabled individual who is the designated beneficiary and owner of that account.

On January 1, 2016, the General Assembly of the State of Illinois adopted Public Act 99-145, creating the Illinois Achieving a Better Life Experience (“IL ABLE”) program within the Illinois State Treasurer’s Office (the “Treasurer”) to allow individuals with disabilities and their families to save money to cover qualified disability expenses, without giving up eligibility for public benefits. Illinois, along with several other states, formed a consortium (the “Consortium” or “Member States”) and entered into an Interstate Agreement to benefit from efficiencies and economies of scale achieved by working together to adopt common program elements.

The Treasurer officially launched IL ABLE on January 30, 2017. The Treasurer is responsible for the administration and implementation of IL ABLE in accordance with federal rules and regulations. IL ABLE is a “qualified ABLE program” under Section 529A of the Internal Revenue Code of 1986, as amended, so the IL ABLE accounts’ earnings are federally tax-advantaged.

Savings and investments in IL ABLE are intended to improve the quality of life of the IL ABLE designated beneficiary (the “Beneficiary”). IL ABLE accounts are sold directly to the public. The Beneficiary may be a resident or non-resident of Illinois. The Beneficiary or designated representative (the “Account Owner”) selects investment portfolios for the purpose of helping the Beneficiary or Account Owner meet the qualified expenses of the Beneficiary. Withdrawals from IL ABLE accounts can be used to pay for qualified disability expenses including, but are not limited to education, health and wellness, housing, transportation, legal fees, financial management, employment training and support, assistive technology, personal support services, oversight and monitoring, and funeral and burial expenses of the Beneficiary.

Amounts contributed to IL ABLE are invested in the Ascensus ABLE Consortium Trust (the “Trust”). As of June 30, 2020, Ascensus College Savings Recordkeeping Services, LLC (the “Program Manager”) provided investment management services and general administrative services. The Bank of New York Mellon was responsible for the custody and valuation of the underlying investments. Fifth Third Bank National Association was responsible for the custody of the investments within checking accounts.

Note 1. Summary of Significant Accounting Policies

Financial Reporting Entity

As described in the Illinois Comprehensive Annual Financial Report, the State of Illinois is the primary government which includes all funds, elected offices, departments and agencies of the State, as well as boards, commissions, authorities, universities and colleges over which the State’s executive or legislative branches exercise legal control. For financial reporting purposes, IL ABLE is part of the primary government and is included in the Illinois Comprehensive Annual Financial Report as a private-purpose trust fund.

IL ABLE is an instrumentality of the State of Illinois. An Agreement of Trust was entered into by the Program Manager, Ascensus Investment Advisors, LLC (the “Trust Administrator”), a Delaware Trust

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019**

Note 1. Summary of Significant Accounting Policies (Continued)

Financial Reporting Entity (Continued)

Company, and the Member States to establish the Trust. Within the Trust, each Member State's assets are held in the state's unique Series. The Illinois ABLE Series holds Illinois' assets including the related income, earnings, profits, and proceeds from the sale, exchange, and liquidation of such assets. The scope of the IL ABLE financial statements presented herein is limited to the financial position of the IL ABLE private-purpose trust fund.

Fiduciary Fund

The Illinois ABLE Fund is classified as a private-purpose trust fund. This trust fund is used to account for assets administered by the Treasurer in a trustee capacity. This fund is not held in the State Treasury and is a non-appropriated fund.

Basis of Accounting and Measurement Focus

The accounts of IL ABLE are maintained and reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flow takes place.

Cash and Cash Equivalents

Cash and cash equivalents consist of IL ABLE accounts that have investments in the Checking Option or have investments in a portfolio whose underlying assets are in a savings account.

Investment Earnings

Investment earnings are a combination of dividend income and interest income generated from mutual fund investments. Mutual fund yields are subject to market rate fluctuations.

Fair Value of Investments

Investments in the underlying funds are carried at fair value based on the closing net asset or unit value per share of each Underlying Fund on the last business day on or prior to June 30.

Management Estimates

To prepare financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make certain estimates that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. These estimates may differ from actual results.

Note 2. Investments

Governmental Accounting Standards Board ("GASB") Statement No. 72, *Fair Value Measurement and Application*, provides guidance for determining a fair value measurement and applying fair value to certain

State of Illinois
Office of the Treasurer

Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 2. Investments (Continued)

investments for financial reporting purposes. GASB Statement No. 72 permits investments that do not have a readily determinable fair value to use the net asset value (NAV) per share, or its equivalent, to establish the fair value of the investments. IL ABLE reports all investments at the NAV based on closing prices on June 30, 2020 and 2019.

Net Asset Value:

As stated in the aforementioned paragraph, IL ABLE reports its investments at the NAV per share for financial reporting purposes. GASB Statement No. 72 requires additional disclosure for investments that calculate the NAV per share, or its equivalent, do not have a readily determinable fair value, and are measured at fair value on a recurring or non-recurring basis during the period. The investments are composed of U.S. equity and U.S. debt mutual funds that invest in marketable equities that are exchange traded in the U.S. and in countries outside the U.S. The fair value of the investments has been determined using the NAV per share provided by the Program Manager. The funds can be redeemed at any point in time. The redemption is processed the same day if received by the Program Manager before the close of the market or the next day if received after. Settlement may take up to 10 business days.

The following table summarizes IL ABLE's investments at NAV per share as of June 30, 2020 and 2019:

Type	NAV as of 6/30/20	NAV as of 6/30/19
Investments	\$ 11,502,189	\$ 5,833,289
Total	<u>\$ 11,502,189</u>	<u>\$ 5,833,289</u>

Permitted Investments:

As a member of the Consortium, IL ABLE investments are specified in the National ABLE Alliance Plan Disclosure Statement and may not be changed without prior approval of all Member States. In addition, IL ABLE investment activities are governed by the established Illinois Achieving a Better Life Experience Investment Policy, last updated on April 15, 2020 (the "Policy Statement") (included in the "other information" section of this report), which was developed in accordance with the State statute. In addition, the Treasurer has adopted its own investment practices, which supplements the statutory requirements.

The Policy Statement allows funds (contributions) to be invested in one of several Portfolios, each with a designated mix of investments that is appropriate for the investment objective of the Portfolio. The determination of the investment parameters of each Portfolio are made by the Consortium and take into account the financial characteristics of the investments in the program. Each Portfolio allocates assets in a combination of underlying investments, investing among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio is established by the Consortium and managed by the Program Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investments within the Portfolios consistent with the Policy Statement and its agreement with the Program Manager.

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019**

Note 2. Investments (Continued)

Investment Options:

General Overview

IL ABLE offered the following investment portfolios as of June 30, 2020 and 2019:

- Aggressive Portfolio
- Moderately Aggressive Portfolio
- Growth Portfolio
- Moderate Portfolio
- Moderately Conservative Portfolio
- Conservative Portfolio
- Checking (Banking) Option Portfolio

The portfolios are designed to have a mix between equity, fixed-income, and cash depending on the Account Owner's goals and desired level of risk. The more aggressive portfolios seek higher returns by having a higher percentage of equity while the more conservative portfolios place capital preservation over growth by having a higher percentage of fixed-income and cash and cash equivalents.

Investment Risk:

Interest Rate and Credit Risk:

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. As written in the Policy Statement, the Treasurer, as well as the Consortium, has adopted a long-term total return strategy. A long-term diversified asset allocation strategy based on (1) asset classes (stocks, bonds, cash, etc.), (2) geography/country, (3) industry, and (4) maturity will be the primary method of risk control.

The investment options in IL ABLE are not guaranteed or insured by the State of Illinois, the Treasurer, the Program Manager, affiliates of the Program Manager, the FDIC, or any other party. The portion of funds held as cash in IL ABLE's checking account options are held by Fifth Third Bank National Association and are insured by the FDIC up to \$250,000, and amounts in excess of FDIC insurance limits are not collateralized or covered by supplemental insurance.

As discussed in the first and second paragraph of Note 2, IL ABLE reports its investments at the NAV per share for financial reporting purposes. The fair value, interest rate risk and credit risk of the fixed income funds, which make up a portion of the total investment reported at NAV, for IL ABLE as of June 30, 2020 are detailed in the table below.

State of Illinois
Office of the Treasurer

Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019

Note 2. Investments (Continued)

Type	2020				
	Fair Value	Interest Rate Risk	Method	Credit Risk	Rating Service
Fixed Income Funds:					
Open-Ended Mutual Funds - Effective Maturity Funds	\$ 2,297,107	4.66 years	Effective Maturity	NR*	NA**
Open-Ended Mutual Funds - Weighted Average Maturity Funds	255,234	9.48 years	Weighted Average Maturity	NR*	NA**
	<u>\$ 2,552,341</u>				

* Credit Risk of NR indicates that while the underlying securities within the funds may be rated, the mutual fund itself is not rated.

** Not applicable

The fair value, interest rate risk and credit risk of the fixed income funds, which make up a portion of the total investment reported at NAV, for IL ABLE as of June 30, 2019 are detailed in the table below.

Type	2019				
	Fair Value	Interest Rate Risk	Method	Credit Risk	Rating Service
Fixed Income Funds:					
Open-Ended Mutual Funds - Effective Maturity Funds	\$ 1,164,409	4.59 years	Effective Maturity	NR*	NA**
Open-Ended Mutual Funds - Weighted Average Maturity Funds	129,379	9.22 years	Weighted Average Maturity	NR*	NA**
	<u>\$ 1,293,788</u>				

* Credit Risk of NR indicates that while the underlying securities within the funds may be rated, the mutual fund itself is not rated.

** Not applicable

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Notes to the Financial Statements
For the Years Ended June 30, 2020 and 2019**

Note 3. Administrative Fees

To administer IL ABLE, the Treasurer has a division entitled, "Illinois ABLE". The revenues and expenses of the division are recorded in an enterprise proprietary fund, Illinois ABLE Accounts Administrative Fund No. 358, maintained by the Treasurer. No expenses were paid from the Illinois ABLE Accounts Administrative Fund during fiscal years 2020 or 2019.

Program Management Fees

The Program Manager is paid a program management fee as compensation for administering and managing the investment options and IL ABLE. The fee is 0.32% on net assets in each investment option excluding the Checking Option. The fee accrues daily and reduces the net asset value per share.

Underlying Investment Fees

The underlying investment fee includes investment advisory fees, administrative fees, and other expenses of the underlying investment. This fee varies from 0.02% to 0.05% depending on the investment option, excluding the Checking (Banking) Option. These fees are paid out of the assets of the mutual funds and reduce the amount of income available for distribution in the form of dividends or capital gains.

Account-Based Fees

After an IL ABLE account has been open for at least 90 days, a \$15 Quarterly Account Maintenance Fee is assessed. The Program Manager receives \$13.75 of this fee as compensation for administering and managing IL ABLE, and the Treasurer's Office receives the remaining \$1.25. This fee may be discounted if the account owner chooses electronic delivery of statements and confirmations.

Checking (Banking) Option Service Charge

Each account invested in the Checking (Banking) Option is assessed a monthly service charge of \$2. This fee is waived if the Account Owner maintains an average minimum daily balance of \$250 or if the account owner chooses electronic statement delivery. The fee is paid to Fifth Third Bank National Association.

The IL ABLE program management fees paid from the Trust and the Illinois ABLE Accounts Administrative Fund expenses were as follows:

	2020	2019
Program Management Fees	\$ 19,827	\$ 8,968
Total	<hr/> <u>\$ 19,827</u>	<hr/> <u>\$ 8,968</u>

Note 4. COVID-19 Impact

On March 11, 2020, the World Health Organization characterized the outbreak of a strain of the novel coronavirus ("COVID-19") as a pandemic which is adversely affecting the nation. The COVID-19 pandemic has dramatically altered the behavior of people and has caused volatility in the stock market. The impacts of COVID-19 continue to evolve. The extent to which the Program will be impacted including account owner contributions, investment returns, and distributions are currently unknown at this time. No adjustments or provisions were made in these financial statements related to COVID-19.

SUPPLEMENTARY INFORMATION

State of Illinois
Office of the Treasurer

Illinois ABLE Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2020

	Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Assets								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 172,010	\$ 860,704	\$ 3,273,366	\$ 4,306,080
Investments	1,875,235	1,494,093	1,621,727	1,089,206	516,030	573,802	-	7,170,093
Net Unsettled Transactions	6,970	3,493	6,632	5,622	-	-	17,356	40,073
Other Assets	-	425	-	-	60	228	-	713
Total Assets	1,882,205	1,498,011	1,628,359	1,094,828	688,100	1,434,734	3,290,722	11,516,959 *
Liabilities and Net Position								
Liabilities								
Withdrawals Payable	303	354	366	303	278	4,002	2,432	8,038
Other Liabilities	47	-	643	27	797	2,990	114	4,618
Accrued Program Management Fees	488	386	421	281	175	363	-	2,114
Total Liabilities	838	740	1,430	611	1,250	7,355	2,546	14,770
Net Position Held in Trust for Participants	\$ 1,881,367	\$ 1,497,271	\$ 1,626,929	\$ 1,094,217	\$ 686,850	\$ 1,427,379	\$ 3,288,176	\$ 11,502,189 *

*See Note to the Supplementary Information

State of Illinois
Office of the Treasurer

Illinois ABLE Program
Statement of Fiduciary Net Position by Portfolio
June 30, 2019

	Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Assets								
Cash and Cash Equivalents	\$ -	\$ -	\$ -	\$ -	\$ 79,267	\$ 407,970	\$ 1,602,937	\$ 2,090,174
Investments	1,052,257	769,785	857,785	553,365	237,802	271,980	-	3,742,974
Net Unsettled Transactions	1,668	1,915	2,986	657	839	2,132	(2,830)	7,367
Other Assets	-	-	292	-	60	-	-	352
Total Assets	1,053,925	771,700	861,063	554,022	317,968	682,082	1,600,107	5,840,867 *
Liabilities and Net Position								
Liabilities								
Withdrawals Payable	125	43	986	309	353	272	3,466	5,554
Other Liabilities	406	169	-	226	6	37	107	951
Accrued Program Management Fees	265	195	218	140	81	174	-	1,073
Total Liabilities	796	407	1,204	675	440	483	3,573	7,578
Net Position Held in Trust for Participants	\$ 1,053,129	\$ 771,293	\$ 859,859	\$ 553,347	\$ 317,528	\$ 681,599	\$ 1,596,534	\$ 5,833,289 *

*See Note to the Supplementary Information

State of Illinois
Office of the Treasurer

Illinois ABLE Program
Statement of Changes in Fiduciary Net Position by Portfolio
For the Year Ended June 30, 2020

	Moderately Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Investment Income (Expense)								
Investment Earnings	\$ 14,186	\$ 18,796	\$ 40,974	\$ 31,089	\$ 18,667	\$ 33,146	\$ -	\$ 156,858
Other Income	423	615	-	246	7	268	230	1,789
Exchanges In	67,613	110,442	110,172	83,974	67,480	139,627	208,993	788,301
Management Fees	(4,582)	(3,622)	(3,997)	(2,645)	(1,621)	(3,360)	-	(19,827)
Other Expense	(47)	-	(957)	(27)	(51)	-	-	(1,082)
Net Investment Earnings (Loss)	77,593	126,231	146,192	112,637	84,482	169,681	209,223	926,039
Participant Transactions								
Program Contributions	976,033	810,238	807,960	637,175	460,505	825,535	2,827,593	7,345,039
Program Withdrawals	(118,065)	(49,687)	(68,850)	(76,650)	(73,645)	(163,937)	(1,263,043)	(1,813,877)
Exchanges Out	(107,323)	(160,804)	(118,232)	(132,292)	(102,020)	(85,499)	(82,131)	(788,301)
Total Increase (Decrease)								
From Participant Transactions	750,645	599,747	620,878	428,233	284,840	576,099	1,482,419	4,742,861
Change in Net Position	828,238	725,978	767,070	540,870	369,322	745,780	1,691,642	5,668,900
Net Position, Beginning of Year	1,053,129	771,293	859,859	553,347	317,528	681,599	1,596,534	5,833,289
Net Position, End of Year	\$ 1,881,367	\$ 1,497,271	\$ 1,626,929	\$ 1,094,217	\$ 686,850	\$ 1,427,379	\$ 3,288,176	\$ 11,502,189

See Note to the Supplementary Information

State of Illinois
Office of the Treasurer

Illinois ABLE Program
Statement of Changes in Fiduciary Net Position by Portfolio
For the Year Ended June 30, 2019

	Moderately Aggressive Portfolio	Moderately Aggressive Portfolio	Growth Portfolio	Moderate Portfolio	Moderately Conservative Portfolio	Conservative Portfolio	Checking (Banking) Option Portfolio	Total
Investment Income (Expense)								
Investment Earnings	\$ 72,821	\$ 42,921	\$ 46,178	\$ 27,186	\$ 13,069	\$ 18,315	\$ -	\$ 220,490
Other Income	-	64	292	65	-	50	91	562
Exchanges In	20,387	18,223	14,833	20,536	20,346	24,789	49,821	168,935
Management Fees	(2,252)	(1,643)	(1,847)	(1,168)	(655)	(1,403)	-	(8,968)
Other Expense	(490)	(169)	(143)	(226)	(51)	(37)	-	(1,116)
Net Investment Earnings (Loss)	90,466	59,396	59,313	46,393	32,709	41,714	49,912	379,903
Participant Transactions								
Program Contributions	618,090	465,518	449,997	329,768	200,860	509,872	1,596,592	4,170,697
Program Withdrawals	(31,819)	(33,560)	(55,155)	(48,072)	(49,553)	(54,230)	(571,637)	(844,026)
Exchanges Out	(13,937)	(17,236)	(39,720)	(24,993)	(13,460)	(17,116)	(42,473)	(168,935)
Total Increase (Decrease)								
From Participant Transactions	572,334	414,722	355,122	256,703	137,847	438,526	982,482	3,157,736
Change in Net Position	662,800	474,118	414,435	303,096	170,556	480,240	1,032,394	3,537,639
Net Position, Beginning of Year	390,329	297,175	445,424	250,251	146,972	201,359	564,140	2,295,650
Net Position, End of Year	\$ 1,053,129	\$ 771,293	\$ 859,859	\$ 553,347	\$ 317,528	\$ 681,599	\$ 1,596,534	\$ 5,833,289

See Note to the Supplementary Information

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Note to the Supplementary Information
For the Years Ended June 30, 2020 and 2019**

Note 1. Reconciliation of Total Assets

The Statement of Fiduciary Net Position by Portfolio reports ABLE investments at the individual portfolio level, reporting the specific assets and liabilities related to the portfolio. The Statement of Fiduciary Net Position reports investments at the state level based on net asset value. In addition, the Statement of Fiduciary Net Position reports the total assets and liabilities of the master trusts which includes redemption proceeds receivable and withdrawals payable. These accounts, redemption proceeds receivable and withdrawals payable, are not reported in the Statement of Fiduciary Net Position by Portfolio because this activity is only reported at the master trust level and not at the portfolio level. Following is the reconciliation of assets between the two statements as of June 30, 2020 and 2019:

	6/30/20	6/30/19
Statement of Fiduciary Net Position by Portfolio – Total Assets	\$ 11,516,959	\$ 5,840,867
Statement of Fiduciary Net Position by Portfolio – Total Liabilities	(14,770)	(7,578)
Statement of Fiduciary Net Position – Redemptions Proceeds Receivable	<u>15,853</u>	<u>7,940</u>
Statement of Fiduciary Net Position - Total Assets	<u>\$ 11,518,042</u>	<u>\$ 5,841,229</u>

Other Information

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Key Performance Measures
June 30, 2020 and 2019
(Unaudited)**

	<u>Illinois</u>		<u>Out of State</u>		<u>Total</u>	
	2020	2019	2020	2019	2020	2019
Number of Participant Accounts	1,378	851	134	62	1,512	913
Net Position Held in Trust for Participants	\$ 10,476,505	\$ 5,568,241	\$ 1,025,684	\$ 265,048	\$ 11,502,189	\$ 5,833,289

Note:

"Participant Accounts" is defined as the number of funded accounts by account owner.

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

1.0 Statement of Purpose

The purpose of this Investment Policy Statement (the "Policy") is to assist contractors retained by the National Achieving a Better Life Experience ("ABLE") Alliance (the "Consortium") to provide services related to the management of the ABLE account assets of the owners and beneficiaries of an ABLE account ("Account Owners"), within the Consortium and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium's investment philosophy and objectives;
- Providing general guidelines for the investment of assets;
- Describing the roles and responsibilities of employees or contractors and the process of evaluating the performance of employees or contractors that provide investment management services to the Consortium; and
- Specifying the roles and responsibilities of the Consortium and any contractors that provide investment management services to the Consortium.

The Consortium oversees the management and operations of the National ABLE Alliance Program ("Program").

This is the official Policy of the Consortium, and deviation from this Policy is not permitted without prior approval from the Consortium.

If a member state is restricted from participating or abiding by any portion of the Policy due to applicable individual state law, the member state is responsible for adding, and updating its addendum to the Policy (Exhibit E). The addendum shall include a reference to the applicable state law in conjunction with the section of the Policy that is restricted. Each member state is responsible for ensuring that abiding by any portion of the Policy is not restricted or prohibited within its individual state statutes.

2.0 Establishment and Authority of Consortium

The federal 2014 Stephen Beck, Jr. Achieving a Better Life Experience Act (ABLE Act) authorized states to pass enabling legislation to offer tax-favored ABLE plans to people with disabilities. The Consortium was established by an Interstate Agreement dated January 15, 2016 and amended thereafter, to allow its member states to work together to achieve efficiencies and economies of scale by adopting common ABLE Program (Program) elements through a single program manager, and to oversee the efficient and effective implementation and maintenance of the Program.

ABLE accounts encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life. ABLE accounts provide secure funding for disability-related expenses for Account Owners that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the Account Owner's employment, and other sources.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

3.0 Investment Philosophy

The Consortium has adopted the goal of providing a broad array of investment options to meet the needs of a diverse set of Account Owners. Account Owner time horizons and risk tolerances vary, so a diverse set of Allocation Driven Portfolios ("Portfolios") ranging from conservative to aggressive is appropriate. In order to achieve the Consortium's investment objectives, Portfolios shall be diversified to minimize the risk of loss through the utilization of various asset classes. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

Account Owners' contributions will be directed to one or more of the available Portfolios based on the investment selections made by the Account Owners. Each Portfolio is composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall consider the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for Account Owners will vary from a few months to over 25 years.

The Consortium will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Public Real Estate Investments

The Consortium will establish reasonable Target Portfolio Objectives for each Portfolio, specifying, where applicable, limits on asset and asset class exposures, risk constraints, and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, Account Owners bear the risk of investment results.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

The administration and offering of the Program should not be relied upon as a guarantee to Account Owners. Each Account Owner should seek appropriate advice as he or she deems necessary.

4.0 Checking Account Option

The Program has included the option of a short-term investment vehicle in the form of a Demand Deposit Account (the “Checking Account Option”) for Account Owners. The Checking Account Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low-risk rate of return. This option allows Account Owners the ability to execute recurring transactions with greater ease.

The Checking Account Option Provider will provide monthly account statements following any month in which an account utilizing the Checking Account Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent by U.S. postal mail and/or provided via website access electronic delivery, as specified by the Account Owner.

5.0 Investment Objectives

The overall Program’s investment options and, as applicable, the Portfolios provided to Account Owners shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Exhibit D hereof; and
- An investment program flexible enough to meet the needs of Account Owners based upon their investment objectives and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

6.0 Investment Guidelines

The Program’s investment options will be governed by a set of investment guidelines consistent with the investment objectives for the Program. The current guidelines are attached as Exhibit A. These guidelines may be modified from time to time by the Consortium to best meet the needs of ABLE Account Owners.

7.0 Roles and Responsibilities

The Consortium

The Consortium is responsible for the investments held within the Program and available for selection by Account Owners. This includes investment plan design, model portfolio construction, investment manager selection, ongoing monitoring and, as needed, investment manager replacement.

The Consortium shall have an Investment Policy Sub-Committee (“IPSC”) to facilitate the oversight duties of the Consortium as described in this Policy and the NAA Guiding Principles for Investment Analysis and Due Diligence (the “Guiding Principles,” attached hereto as Exhibit F). The IPSC shall not act independently, but rather bring recommendations to the Consortium for final approval and decision making. Each member state may choose to participate in the IPSC. The lead member of the IPSC shall be a representative of the facilitating state (currently Illinois).

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

The IPSC will meet on an as-needed basis and will ensure that the Consortium completes its oversight duties as outlined in the Guiding Principles.

The Contractor and Investment Advisor

The Consortium may engage and rely upon a contractor for administrative services and investment management services (the "Contractor"). Among the responsibilities of the Contractor are the implementation of the investment strategy outlined in this Policy and the rebalancing of the Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium's approval, the Contractor may retain an investment advisor to provide it with portfolio design, due diligence, and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this Policy. The Consortium and the Contractor shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Portfolios, the Contractor will act:

- With the skill, prudence, and diligence under the prevailing circumstances that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of like character and with like objectives; and
- For the sole benefit of the Program's beneficiaries.

Investment Consultant

The Consortium may utilize an external investment consultant for investment advisory services in the fulfillment of its oversight responsibilities. In doing so, the external investment consultant will independently:

- Measure investment performance results, evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Monitor investments for fee competitiveness and inform the Consortium on optimal fund structures to minimize fees;
- Conduct an annual review of the investment policies, objectives, guidelines, or management structure;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

8.0 Guiding Principles for Investment Analysis and Due Diligence

The performance of external investment managers and Contractors will be governed and monitored by the Guiding Principles. The Guiding Principles may be modified as needed by the Consortium to best adhere to industry best practices.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

EXHIBIT A
Investment Guidelines

The investment options shall be constructed and administered to comply with the following guidelines:

A. Simplicity – The Program's Investment Portfolios and underlying asset allocations 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 encourage participation and provide opportunities for investment returns for Account Owners. Furthermore, the Program shall be designed and administered in a manner that promotes full transparency of fees and investments.

B. Low Cost – The Program's investment options shall be constructed and administered in a manner that is designed to minimize investment fees to Account Owners, while still providing value to Account Owners and meeting the investment option's risk and return objectives. The lowest cost index-based investment funds should be viewed as the default standard in evaluating investment management fees.

C. Investment Horizons and Risk Tolerances – The Program's investment options shall account for a diversity of time horizons (e.g., short-term, long-term) and risk tolerances (e.g., aggressive, moderate, conservative) among Account Owners. Portfolios shall also be constructed in a manner that accounts for investment time horizons and risk tolerances through the utilization including but not limited to, pre-mixed dynamic portfolios, static portfolios with varying target allocations, and the Checking Account Option.

D. Open Architecture – The Program's investment framework shall utilize an open architecture plan design which allows the use of investment options and managers that are not proprietary to the Contractor. The open architecture design shall offer Account Owners benefits such as access to best in class managers, increased flexibility when choosing underlying strategies, and the ability to obtain the lowest fees for underlying investment funds.

E. Non-Proprietary Products – The Program's investment options shall consist of non-proprietary funds. The non-proprietary funds shall be issued and managed by firms that are not affiliated with the Contractor, the Contractor's investment advisor (if any), or the Consortium's investment consultant (if any).

F. Passive versus Active Funds – The Program's investment options shall consist of passively managed strategies that replicate the risk and return characteristics of their respective benchmarks. In assets classes where passively managed strategies are not prevalent or in asset classes that are deemed to be inefficient, actively managed strategies may be used.

G. Investment Policy Statement – The Consortium shall create an Investment Policy Statement that governs the Program's investment options, which may include asset allocations, glide paths underlying investment funds, and each investment option's corresponding benchmark. The Consortium shall conduct a review of the Investment Policy Statement at least annually. The Contractor, investment advisor, and the Consortium shall provide each other suggested changes to the Program's asset allocation strategy, associated glide paths, investment options, and the underlying investment funds in accordance with industry standards and best practices.

H. Investment Performance Report – The Contractor shall analyze the performance of the Program's investment options by comparing their performance to the benchmarks set forth in the Investment Policy Statement.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

I. Revenue Sharing Funds – The Program shall not utilize any underlying investment funds in an investment option that are considered “revenue sharing funds” (i.e. 12-b) as an investment vehicle.

J. Separate Accounts/Institutional Share Class Options – When available and cost-effective, the Program shall utilize separately managed accounts and/or a lowest available share class option (i.e., institutional share class and/or separately managed accounts).

K. Manager Flexibility – The Program’s investment framework shall provide the Consortium with the ability to replace existing managers for reasons including, but not limited to, underperformance or investment team personnel turnover.

L. Annual Benchmark Review – Annually the Consortium shall determine the impact a potential benchmark’s performance has on an investment and assess whether the assigned benchmark is an accurate representation of market performance.

M. Annual Asset Allocation Review – Annually the Consortium shall ensure that the asset allocation of the investment framework aligns with the goals and objectives of the Program set forth in the Investment Policy Statement.

N. Annual Fee Study – Annually the Consortium shall assess the fees of underlying investment fund managers of the Program in comparison to that of their peers in order to ensure that the investment framework of the Program consists of high-quality funds at the lowest available cost.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

Exhibit B
Target Portfolio Objectives

The **Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

**Exhibit C
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	FTSE Emerging NR USD
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 1-5 Yrs.
iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

**EXHIBIT D
Investment Parameters**

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the Account Owner or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Contractor. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with the Investment Policy.

The target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit B for Target Portfolio Objectives and refer to Exhibit C for a list of underlying investment products and their corresponding benchmarks.

Each underlying investment fund's return objective seeks to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if the underlying assets may not be entirely invested in the asset class in which the underlying investment fund has been placed.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	FTSE Emerging NR USD	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 1-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
	Bloomberg Barclays Global Aggregate Bond ex-US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Short Term Investments	3-month T-Bills	0.00%	0.00%	0.00%	0.00%	25.00%	60.00%

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

**EXHIBIT E
Addenda**

Illinois

In addition to the considerations and objectives as set forth in the Investment Policy Statement, the State of Illinois complies with all Illinois State laws and regulations including the Illinois Sustainable Investing Act (30 ILCS 238/1 et seq.) and the State Treasurer Act (15 ILCS 505/1 et seq.). Pursuant to the Illinois Sustainable Investment Act, IL ABLE and the Illinois State Treasurer's Office use sustainability factors in its investment policy. These factors include material, relevant, and decision-useful sustainability factors to be considered as a component of the overall evaluation of investment decisions, including the selection of fund managers. Such factors include but are not limited to 1) corporate governance and leadership factors; 2) environmental factors; 3) social capital factors; 4) human capital factors; and 5) business model and innovation factors. 30 ILCS 238/15(b). IL ABLE and the Illinois State Treasurer's Office integrate sustainability factors into all investment decisions in accordance with state law.

Additionally, the State Treasurer Act requires the Illinois State Treasurer to utilize minority-owned businesses, women-owned businesses, and veteran-owned businesses to the greatest extent feasible within the bounds of financial and fiduciary prudence. 15 ILCS 505/30. When procuring services, the State Treasurer is authorized to incorporate preferences for minority-owned, women-owned, a business owned by a person with a disability, and veteran-owned and small businesses and businesses having a record of support for increasing diversity and inclusion in board membership, management, employment, philanthropy, and supplier diversity. 15 ILCS 505/30(d).

Per the investment policy statement of Illinois, Illinois shall endeavor to identify and evaluate investment managers that are more than 50% owned and/or managed by minorities, women, military veterans, or disabled persons.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

**EXHIBIT F
Guiding Principles for Investment Analysis and Due Diligence**

NATIONAL ABLE ALLIANCE

GUIDING PRINCIPLES FOR INVESTMENT ANALYSIS AND DUE DILIGENCE

APRIL 15, 2020

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

Summary of Guiding Principles

This document outlines the due diligence and analytical procedures to be followed for the evaluation of current and prospective external investment fund managers utilized by the National Achieving a Better Life Experience Program Alliance (the “Consortium”) in servicing the externally managed investment program under its stewardship. The Consortium oversees the efficient and effective implementation and maintenance of the National ABLE Alliance Program (“Program”).

The Consortium is responsible for serving as a prudent, vigilant, and accountable investment steward. The Consortium holds itself to the highest investment standards, and as such, it actively seeks to utilize industry best practices for the effective analysis and evaluation of investment fund managers.

This document delineates the processes, practices, and factors by which prospective and current investment managers are evaluated by the Consortium and the Contractor(s) it hires to assist in executing investment management and advisory functions. The Contractor(s) is responsible for administrative services and investment management services.

Roles and Responsibilities

CONSORTIUM

The Consortium is responsible for the direction of investments and administration of the assets of the Program. As such, key roles and responsibilities include, but are not limited to:

- **Fund Manager Approval** – While the Contractor(s) shall have the responsibility and discretion to seek, recruit, screen, evaluate, and recommend funds for investment, the Consortium maintains the authority and responsibility to approve all prospective investments before an agreement with an investment fund manager has been negotiated or executed.
- **Fund Manager Termination** – While the Contractor(s) shall have the responsibility to monitor and recommend for termination funds that are failing to meet the investment objectives of the Consortium, the Consortium maintains the decision-making authority and responsibility to terminate any and all existing investment fund managers.
- **Performance Monitoring** – The Consortium will review the investment performance of each investment fund at least quarterly.
- **Due Diligence** – The Consortium will participate in investment fund manager due diligence meetings with each investment fund manager in coordination with the Contractor(s) retained to assist in program management.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

CONTRACTOR(S)

The Consortium may contract external vendors (“Contractor(s)”) to perform administrative services and investment management services, as authorized by applicable state law and the investment policies of the Consortium. Accordingly, Contractors will be responsible for a number of important investment management duties, including, but not limited to:

- **Identification and Evaluation of Investment Funds** – The Contractor(s) will advise and provide fund recommendations to the Consortium.
 - **Due Diligence** – The Contractor(s) are responsible for investment fund manager due diligence, including, but not limited to, research, financial analysis, and legal, accounting, and background investigations of fund managers. The Contractor will undergo due diligence activities in coordination with the Consortium.
 - **Fund Monitoring** – The Contractor(s) are responsible for monitoring the performance of investment funds, enforcing Watch List Procedures, tracking the diversification of invested assets and the amounts invested by recipient funds, and facilitating and reconciling all reporting and accounting requirements of recipient funds and the Consortium.
 - **Fee Monitoring** - The Contractor(s) are responsible for conducting a fee study at least annually to assess the fees charged by external managers.
 - **Benchmarking** – The Contractor(s) are responsible for establishing applicable investment benchmarks, measuring the performance of recipient funds against said benchmarks, and reviewing benchmarks at a minimum on an annual basis to ensure accuracy and relevance.
 - **Quarterly Meetings** – The Consortium and the Contractor(s) shall meet at least quarterly to review fund performance as compared to applicable benchmarks and peer-group performance.
 - **Reporting** – The Contractor(s) are chiefly responsible for administering all pertinent reporting requirements and recordkeeping duties as set out in its contract.
-

Evaluating Prospective Investment Managers

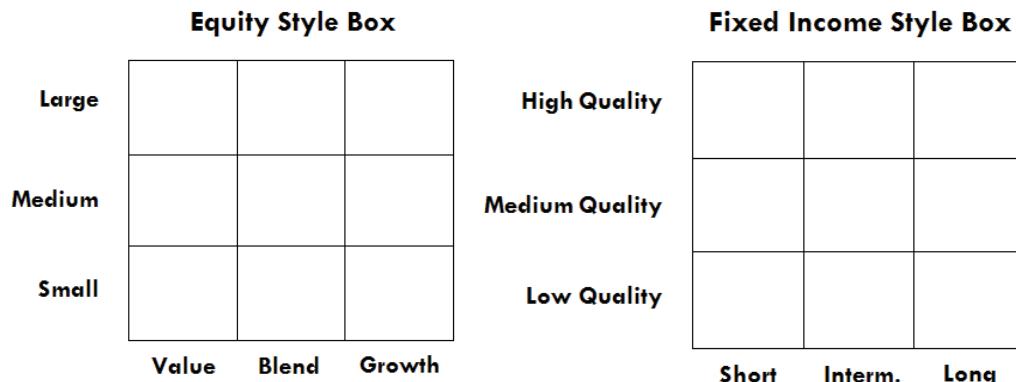
Prospective investment managers are evaluated using quantitative and qualitative criteria that align with the analysis, due diligence, and risk management responsibilities derived from the Investment Policy of the Consortium. The due diligence process of the Consortium addresses the quantitative data, which is why this document often refers to a “minimum due diligence process.”

Selected asset classes must be consistent with the portfolio’s time horizon and risk and return objectives as well as with implementation and monitoring constraints. Decisions regarding investment strategies and types of investments are documented and made in accordance with fiduciary obligations of care.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

The Equity and Fixed Income Style Boxes below may be utilized by the Consortium in identifying investment fund managers based on fit within the Program's asset allocation. Style boxes provide a visual representation of the equity and fixed income investment categories.



As the market for index investing has grown rapidly (as evidenced by total assets under management and the vast number and variety of index funds/strategies), it is important to note that index funds are not exempt from the due diligence process. Each index vehicle goes through the same screenings in regard to qualitative and quantitative analysis before being selected as an investment manager.

MANAGER SELECTION CRITERIA

To be eligible for consideration, investment fund managers must first satisfy basic manager selection criteria. Eligible investment options must be managed by one of the following entities:

- **National Banking Institution** – Defined as a commercial bank with a charter approved by the U.S. Office of the Comptroller of the Currency (OCC). A national banking institution functions as a member bank of the U.S. Federal Reserve in the capacity of being an investing member of its district Federal Reserve Bank. These banks may facilitate the auction process of U.S. Treasury bonds and must be members of the Federal Deposit Insurance Corporation (FDIC).
- **Registered Investment Advisor** – Defined as any person or firm that for compensation; is engaged in the business of; providing advice, making recommendations, issuing reports, or furnishing analyses on securities, either directly or through publications. A person or firm must satisfy all these elements in order to be registered under the U.S. Investment Advisers Act of 1940.
- **Registered Investment Company** – Defined as an issuer which (a) is or holds itself out as being engaged primarily, or proposes to engage primarily, in the business of investing, reinvesting, or trading in securities; (b) is engaged or proposes to engage in the business of issuing face-amount certificates of the installment type, or has been engaged in such business and has any such certificate outstanding; or (c) is engaged or proposes to engage in the business of investing, reinvesting, owning, holding or trading in securities, and owns or proposes to acquire investment securities. The Consortium will only retain registered investment companies that offer pooled investment vehicles that comply with the Investment Act of 1940 for externally managed programs, including the following pooled investment vehicles:

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

- **Mutual Funds** – An open-ended investment company that is registered with the U.S. Securities and Exchange Commission. These funds pool money from its shareholders, invest in a portfolio of securities, and continuously offer to sell or redeem shares to the public. The company's portfolio is managed by professional investment advisors to meet specific investment objectives.
- **Index Funds** – Investment funds that are passively managed strategies that replicate the risk and return characteristics of a respective benchmark.
- **Exchange-Traded Funds** – Exchange-Traded Funds (ETF) trade on a reputable exchange in the secondary market. Most ETF's track a particular broad market or style-based index and are considered passively managed products.

QUALITATIVE FACTORS

The Consortium evaluates each prospective investment fund manager by a number of key qualitative factors. These factors are considered during a risk assessment of each prospective investment fund manager performed by the Consortium in coordination with its Contractor(s). The purpose is to identify and estimate the types and levels of risks posed to the Consortium and its account holders by the potential selection of the investment fund manager. Key qualitative factors include:

- **Stability of the Organization** – The investment fund manager or management team associated with the perspective strategy should be in place for a minimum of three years. The Consortium and its Contractor(s) will also consider whether there is previous and/or pending litigation against the firm, applicable regulatory enforcement actions, internal management struggles, recent changes in ownership, a rapid growth or loss of assets under management, other reputational risks, or a combination thereof. Also reviewed is the adequacy of internal controls, trading practices and efficiency, processes, and systems, including segregation of duties throughout the investment management team.
- **Track Record** – The track record of the investment management team shall be assessed based upon inception date of the product(s). To qualify, investment products must have been in existence for at least three years. Modern portfolio theory measures (i.e. Alpha, Sharpe Ratio and Standard Deviation) require a minimum of three years of data before a meaningful calculation can be made. An exception to this requirement would be suitable for an investment vehicle that is realizing a new share class, such as an institutional share class. In such a case, the use of the inception date of the original share class will be reviewed if it possesses a track record of at least three years.
- **Investment Philosophy** – The Consortium and its Contractor(s) will consider the overall set of principles or strategies that guide the investment fund manager's security selection. A prospective manager should show no deviation from their written investment philosophy at any point during multiple market cycles. The investment fund manager's philosophy should maintain an element of risk aversion as well as taking into consideration global as well as domestic perspectives.
- **Investment Process** – An investment fund manager's investment process should be well-defined and methodical in its approach to analyzing and selecting securities for its portfolio as well as evaluating market sentiments and benchmark performance. A well-defined investment process contributes to a consistent methodology for constructing an optimal portfolio.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

- **Portfolio Construction** – An investment fund manager’s portfolio should consist of securities from the broad asset class associated with the product’s peer group. This allows the Consortium and its Contractor(s) to obtain information about the overall investment strategy. The portfolio composition should align with what the investment fund manager has outlined in its prospectus and investment policy statement.
- **Style Consistency** – The style drift of the investment fund manager will be assessed. Style drift is defined as the divergence of a fund from its stated investment style or objective. An investment fund manager’s investment style is defined as a natural grouping of investment disciplines that have a degree of predictive power in explaining the future dispersion in returns across portfolios. The investment fund manager should be able to demonstrate minimum style drift over the given period. The Consortium and its Contractor(s) evaluate a prospective investment fund manager’s style drift over a three- and five-year period based on but not limited to Holdings Based Style Analysis and Returns Based Style Analysis.
 - *Holdings Based Style Analysis* – Determines the investment style of a portfolio by utilizing a bottom-up approach in examining the characteristics of the individual securities in the portfolio. The individual securities are ranked based on their characteristics which are then used to identify the investment style of the portfolio.
 - *Returns Based Style Analysis* – Is a top-down approach that involves estimating a portfolio’s sensitivities to security market indexes representing a range of distinct factors. This analysis should identify the important drivers of return and risk factors for the period analyzed and can be estimated even for complicated strategies. In addition, the process is comparable across managers and through time, and the use of returns data provides an objective style check that is not subject to window dressing. Window dressing is the act of selling securities near the end of the reporting period that have amassed significant losses and purchasing securities that have significant gains within the period in order to appear that the recently purchased securities have been amongst the fund’s holdings throughout the reporting period.
- **Risk Management** – The Consortium evaluates an investment fund manager’s ability to identify, assess, and prioritize risks. Furthermore, the Consortium evaluates how a Manager deploys its resources to minimize, monitor, and contain the potential impact of adverse events or maximize the realization of opportunities. Evaluating an investment fund manager’s risk management process helps ensure that uncertainty is properly accounted for within the investment fund manager’s investment strategy.
- **Operating Procedures** – The investment fund manager or the organization associated with the perspective strategy should have in place a clearly defined and documented standard operating procedure. The operating procedure should consist of sound policies with regards to risk governance, identification, measurement, and adjustment.
- **Integration of Sustainability Factors** – The Consortium and its Contractor(s) may consider whether and to what extent a prospective manager integrates sustainability risk factors into its portfolio construction and management processes. Prudent integration of material sustainability factors, including, but not limited to (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

and innovation factors will allow the Consortium to fulfill its fiduciary duties of financial prudence in keeping with industry best practices. These factors may be considered as components of portfolio construction, investment decision-making, investment analysis, due diligence, prospective value proposition, risk management, and investment ownership, given that these tangible and intangible factors may have material and relevant financial impacts.

Sustainability factors may be implemented within investment manager due diligence predicated on the following:

- Sustainability factors may be implemented within a framework predicated on the prudent integration of material sustainability factors, including, but not limited to (1) corporate governance and leadership factors; (2) environmental factors; (3) social capital factors; (4) human capital factors; and (5) business model and innovation factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership, given that these tangible and intangible factors may have material and relevant financial impacts.
- Attentive oversight of investment holdings to address sustainability risks and opportunities through direct engagement with entities, such as investment funds, portfolio companies, government bodies, and other organizations.
- Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

QUANTITATIVE FACTORS

In addition to qualitative factors, the Consortium and its Contractor(s) evaluate each prospective investment fund manager by a number of quantitative factors to determine suitability. The purpose is to identify and estimate the types and levels of risks posed to the Consortium and its account holders by the potential selection of the investment fund manager. Quantitative factors include:

- **Assets Under Management** –A minimum of at least \$75 million under its management across all asset and sub-asset classes. This criterion may require additional analysis for mutual funds when there is more than one share class (i.e. Class A, Class F, etc.). In such a situation, it is reasonable to add up assets across each share class within the fund to determine whether the \$75 million threshold has been obtained.

The Consortium prefers prospective funds that have been able to gain assets at a steady pace, considering market environments over a full market cycle.

- **Expense Ratio** – The annual fee that all investment fund managers charge participants shall be within the 75th percentile in terms of cost. The net expense ratio is expressed as a percentage of assets deducted each fiscal year for fund expenses, 12b-1 fees, management fees, administrative fees, operating costs, and all other asset-based costs. In all cases, the Consortium desires the lowest cost share class, which at times, may be the institutional share class offered by a mutual fund.
- **Risk-Adjusted Performance** – One-, three-, and five-year performance in addition to calendar

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

year performance of investment managers is evaluated. The Consortium and its Contractor(s) shall seek performance numbers that exhibit outperformance or alignment with the appropriate benchmark or category peer funds for the applicable asset class. The Consortium will also evaluate the investment fund manager's transparency in terms of risk management.

Risk-adjusted ratios are taken into consideration as well:

- **Alpha** – The return on an asset should exceed the asset's required rate of return or the risk-adjusted return should outperform or equal the product's peer group on a trailing three-year basis.
- **Sharpe Ratio** – An investment fund manager's Sharpe Ratio should be evaluated against category peers. The investment fund manager should possess a Sharpe Ratio that exceeds or equals that of category peers.
- **Information Ratio** – The Information Ratio of an investment fund manager will be used to measure and evaluate the skill of the manager in exceeding the benchmarks return. The investment fund manager's Information Ratio will be compared to that of its peers.
- **Sortino Ratio** – The investment fund manager's Sortino Ratio will be used to measure the efficiency in which an investment fund manager generates returns by measuring the investment fund manager's return compared to the downside standard deviation of the investment fund's returns.
- **Performance Relative to Peers** – The Consortium and its Contractor(s) shall consider the rolling performance of the investment product on a one-, three-, and five-year basis. The performance comparison should be made against the median return of the investment fund manager's peer group (i.e. a Large Cap Value manager will be measured against peer Large Cap Value managers).
- **Percentile/Quartile Rankings** – In addition to one-, three-, and five-year risk-adjusted performance, the Consortium evaluates percentile/quartile rankings, which compare investment fund managers against their category peers. Quartile rankings are evaluated from third-party service providers including, but not limited to, Morningstar rankings, Preqin rankings, InvestorForce, and eVestment.
- **Third-Party Evaluations** – Other third-party evaluations are also considered in the due diligence process. Third-party evaluations and ratings include independent research on investment fund managers performed by a third-party. The evaluations and ratings compare investment fund managers against category peers as well as relative performance benchmarks. Third-party evaluations and ratings that are considered include, but are not limited to, the Morningstar Medalist and Star Ratings for funds, Morningstar firm stewardship grades, Lipper ratings, or other well-recognized third-party rankings.
- **Beta** – The Consortium and its Contractor(s) will consider the product's sensitivity to market movements by analyzing the Beta. The product's Beta figure should be consistent with the applicable peer group based on the investment style of the investment fund manager.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

- **Standard Deviation** – Managers should exhibit similar standard deviation measures as compared to category peer groups. As it is the goal of the Consortium to limit volatility in investment returns throughout a market cycle, the investment fund manager shall exhibit the ability to maintain a consistent standard deviation over a three to five-year period.

HIERARCHY OF DECISIONS

The Consortium utilizes a specific hierarchy of decision factors to assess the suitability of investment fund managers and investment products. The sequence follows as such:

1. **Time Horizon** – First, the Consortium and its Contractor(s) consider the investment time period that is sought to achieve the expected return. This factor is fundamental in determining what investment fund managers and products are appropriate for a given program.
2. **Appropriate Level of Risk/Return** – With a longer investment period, a higher investment return is expected (as the risk level is generally higher for long-term investments). Alternatively, with a shorter the investment time horizon, a smaller return is expected (as there is generally less risk posed).
3. **Asset Class** – The Consortium and its Contractor(s) shall consider the need to diversify investments across asset classes.
4. **Correlation Among Asset Classes** – Asset allocation drives the majority of returns in a given portfolio. When taking this into consideration, the Consortium and its Contractor(s) strive to diversify investments across all traditional asset classes.
5. **Additional Relevant and Financially Material Factors** – Consideration of other relevant factors such as legal, regulatory, and reputational risks that contribute to an optimal risk management framework and are necessary to create long-term investment value.
6. **Sub-Asset Classes** – Once an investment strategy is determined and an asset allocation is selected by the Consortium, sub-asset classes are then considered for their suitability within a portfolio.
7. **Managers/Funds** – Once an investment strategy, risk tolerance, and asset allocation are determined, the screening and selection of investment fund managers and products is executed in an effort to build an optimal portfolio.
8. **Sustainability Rating** – If a sustainability rating or track record is available, the Consortium may consider this information in its decision-making process in order to optimize the portfolio for long-term returns.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

Monitoring Current Investment Fund Managers

Once an investment fund manager has been selected and incorporated into the Program under the stewardship of the Consortium, the Consortium and its Contractor(s) will regularly review the investment fund managers to ensure conformance with the investment and risk management objectives of the Consortium.

PERFORMANCE

- **Review Frequency** – The Consortium, in coordination with the External Investment Consultant, will review each fund's performance on a monthly, quarterly, and annual basis.
- **Benchmark** – The performance of each investment product shall be compared to an appropriate index, peer group, and other performance-related measure as defined in the appropriate Investment Policy Statement. The performance of each investment fund manager is to be compared against the following:
 1. An appropriate “best fit” index or a blended benchmark option;
 2. The average performance of all investment fund managers in the peer group of similar type managers; and/or
 3. The performance objectives that have been established in the appropriate Investment Policy Statement of the Consortium.

REPORTING

The Contractor(s) are responsible for administering all pertinent reporting duties on a monthly, quarterly, and annual basis and supplying the Consortium with monthly reports detailing underlying investment fund performance for the prior month period.

Monthly Reporting – Contractor(s)

The Contractor(s) are responsible for supplying the Consortium with monthly reports detailing the investment performance of the products in the pertinent externally managed program. The monthly reports contain fund information as well as monthly and year-to-date performance.

Quarterly Reporting – Contractor(s)

The Contractor(s) are responsible for supplying the Consortium with quarterly reports that represent a compilation of information obtained from individual Managers as well as information from the Contractor(s)' internal investment team including but not limited to, a breakdown of fund assets, fund performance with updated monthly, quarterly, trailing 12-month, one-year, three-year, five-year, and since inception numbers, program developments, underlying fee schedules, industry landscape updates, and portfolio

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)

characteristics. Also, the tracking error of a manager's strategy is taken into consideration when monitoring funds on an ongoing basis. The following characteristics are requested for each asset class:

- **Fixed Income Funds** – The following portfolio characteristics are reported as compared to the product's given benchmark include the following, but are not limited to:
 - Yield to maturity
 - Average effective maturity
 - Average duration
 - Average quality
 - Sector exposure
 - Portfolio maturity breakdown
 - Regional breakdown
 - Risk-adjusted returns
 - Performance attribution table
 - Maximum Drawdown
- **Equity Funds** – The following portfolio characteristics are reported as compared to the product's given benchmark include the following, but are not limited to:
 - Number of holdings
 - Weighted average market capitalization
 - Median market capitalization
 - Price to earnings
 - Price to book
 - Price to sales
 - Return on equity
 - Beta
 - Alpha
 - Turnover
 - Standard Deviation
 - R-squared
 - Performance attribution table
 - Five-year style drift

DUE DILIGENCE MEETINGS

Due diligence meetings are necessary to enhance program integrity and further mitigate investment, operational, and reputational risks. The meetings provide a forum by which the Consortium can examine the operations, processes, and management systems of Contractor(s) and individual investment fund managers to ensure alignment with contractual terms and investment objectives.

- **Meeting Frequency** – The Consortium conducts investment due diligence meetings with Contractor(s), as well as the individual investment fund managers, on a quarterly basis.
- **Meeting Venue** – Due diligence meetings may occur in-person or via conference call though for Contractor(s), the Consortium is required to hold at least one due diligence meeting per year onsite at the Contractor(s)' headquarters. Investment fund managers may be invited to

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

attend as part of the due-diligence.

- **Annual Fee Review** – On an annual basis, the Consortium, with the assistance of the Contractor(s), will conduct a review of all current investment fund managers to assess management fees. Investment manager fees should be competitive as compared to their category peer group. When available, the Consortium shall seek to utilize separately managed accounts and or an institutional share class options when available. The utilization of separately managed accounts and institutional (including R6) share class options for underlying funds often contributes to reduced costs.

MONTHLY REVIEWS

The Consortium will conduct a performance review of all Managers on a monthly basis. This monitoring process enables the Consortium to evaluate the Manager performance and alignment with investment objectives.

On a monthly basis, the Consortium will review the investment performance of Managers to ensure there is no substantial underperformance or material changes to strategy. In the case of the discovery of substantial underperformance or notable style drift, the Consortium retains the right to contact Managers to discuss drivers for underperformance and the outlook for the investment product. After reviewing the monthly report from the Contractor(s), the Consortium shall create a monthly report detailing investment performance as well as changes in market values of the program. This monthly report is created regardless of any underperformance or material changes. The report is utilized for ongoing due diligence.

QUARTERLY REVIEWS

Investment managers are reviewed on a scheduled quarterly basis by the Consortium as well. The quarterly report features a review and recommendation as prepared by members of the Consortium. The recommendation consists of an analysis of the fund's performance, portfolio characteristics, fund updates, sustainability risk considerations, and any fund developments that occurred within the quarter including, but not limited to, personnel turnover, noticeable redemptions or flows, and parent company announcements. The fund's status can either remain unchanged, or if applicable, the fund may be put on the Watch List of the Consortium for ongoing monitoring.

ANNUAL REVIEWS

This report features a review and recommendation as prepared by members of the Consortium. The recommendation consists of an analysis of the fund's performance, portfolio characteristics, fund updates, sustainability risk considerations, and any fund developments that occurred within the year including, but not limited to, personnel turnover, noticeable redemptions or flows, and parent company announcements. The fund's status can either remain unchanged, or if applicable, the fund may be put on the Watch List of the Consortium for ongoing monitoring.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

Watch List Procedures

On a quarterly basis, the Consortium shall review investment fund managers across all externally managed investment programs. The Consortium may designate each investment fund manager as either “In Compliance” or “On Alert.” In the event that an investment manager is put “On Alert,” the manager will be placed on the Watch List.

“IN COMPLIANCE”

Managers will be designated “In Compliance” if the investment fund manager acts in accordance with the Consortium investment guidelines and policies as identified by the Investment Policy of the Program.

“ON ALERT”

If the Consortium and/or Contractor(s) remain concerned with a manager within the Programs, the Consortium may change the manager’s status from “In Compliance” to a status of “On Alert.” The investment fund manager’s failure to improve the Watch List factor(s) at issue within a given time frame (contingent on the factor(s)) justifies a possible termination from the Program. If an investment fund manager’s status is changed to “On Alert,” the Consortium will promptly notify the investment fund manager in writing.

WATCH LIST FACTORS

The Consortium may place an investment fund manager on the Watch List under any one or combination of the following conditions:

- Tracking error falls below or above the median for the peer group over a one-, three-, or five-year cumulative period.
- Performance falls below median for the peer group over a one-, three-, or five-year cumulative period.
- The manager’s assets under management in the given product under the program fall under \$75 million.
- Excessive out-flows/drawdowns from the given product as determined by the Consortium.
- The percentage of securities within the broad asset class falls below 80%.
- Indications of significant style drift as compared to the assigned benchmark.
- Change in the investment management style or philosophy for which the Manager is retained.
- Any regulatory or liability issue affecting the organization, (i.e. SEC regulation rulings against a Manager). This includes any issues that may arise on the parent or product level.
- Any significant change in the organizational structure of the product’s management team including, but not limited to, change in portfolio management team and staff turnover within the investment team.
- The manager’s three-year risk adjusted return falls below the peer group’s median rate.
- Sub-optimal investment risk characteristics, including but not limited to Alpha, Beta, Sharpe ratio, Information ratio, and tracking error as compared to the assigned benchmark over a given period.
- Increased or unexpected volatility in terms of standard deviation when compared to peers and the

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

benchmark.

- Violation of any statutory or contractual requirements defined by the Investment Policy Statement.
- A decrease in the level of service provided by the manager including, but not limited to, quality of responses to requests for information, quality of reports, and overall communication between the Consortium and/or the Contractor(s) and the manager.
- A flagrant instance of non-compliance with respect to sustainability risk factors or best practices that may pose a risk to the performance or suitability of the fund.
- Any extraordinary event occurs that may interfere with the manager's ability to fulfill its duties and responsibilities.

NOTIFICATION

No longer than five business days after an investment fund manager has been placed on the Watch List, the Consortium shall send a written notification to the Contractor(s) that informs them of the manager's change in status and requests additional information, including, but not limited to:

- Detailed performance attribution for the trailing five-year period;
- Explanation of the challenges and shortcomings the strategy has faced over the given time period;
- Summary of current portfolio position and market catalysts expected to improve the fund performance; and
- A brief explanation discussing short-term and long-term performance expectations in the current market environment.

MONITORING MANAGERS ON WATCH LIST

Regardless of the reason for the placement on the Watch List, the investment fund manager shall remain on the Watch List for a minimum of four quarters. Four quarters gives the investment fund manager a full market cycle to improve performance. It also provides sufficient time for management/structural changes to be incorporated into the strategy. After four quarters has eclipsed, with the assistance of the Contractor(s), the Consortium may conduct a search within the asset class in which the assigned investment fund manager invests to assess peer managers if the Consortium has not seen significant improvement from the investment fund manager. The assessment will include analyzing both qualitative as well as quantitative data to consider to possibly replace or to retain the manager in the current investment lineup. If the investment fund manager is retained, the manager shall be monitored on a quarterly basis and reevaluated for the possibility of removal from the Watch List.

TERMINATION

If the investment fund manager fails to remedy or alleviate the issue(s) that led to its placement on the Watch List within a timeframe determined by the Consortium, the Consortium has the discretion to terminate the manager. If the Consortium decides to terminate the investment fund manager, the Consortium will promptly notify the investment fund manager in writing and will immediately begin coordinating transition management planning.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective April 2020)
(Unaudited)**

Outline for Addition/Replacement of an Investment Fund Manager

Once it is determined by the Consortium, in collaboration with the Contractor(s), to replace a current Manager or to add an additional Manager to the current investment lineup, the Consortium may use the steps outlined below as a guide.

CONDUCTING A MANAGER SEARCH

The Consortium alongside External Investment Consultant, and the Contractor(s) must conduct a search to identify, at minimum, five (5) potential investment fund managers as viable replacements or additions to the investment lineup. The Consortium and the Contractor(s) must utilize characteristics detailed in this document to identify potential managers, specifically the Evaluating Prospective Investment Fund Manager section.

After initial screening is complete the Consortium will collaborate with the Contractor(s) to discuss top candidates. The team will then request 3-4 investment manager firms to participate in the next steps of the investment fund manager search.

FINALIST PRESENTATIONS

Once the finalists have been chosen, the Consortium, alongside its External Investment Consultant and Contractor(s), will conduct finalist interviews with the selected investment fund managers. These interviews may be held in person or via conference call. During the interviews the Consortium's goal is to obtain insights pertaining to, but not limited to, the investment fund managers:

- Senior Investment Team;
- Investment Strategy/Philosophy;
- Risk-Adjusted Performance
- Portfolio Positioning and;
- Sustainability factor integration in security selection

MANAGER RECOMMENDATION AND SELECTION

Once the Consortium and the Contractor(s) have evaluated the finalists, the Investment Policy Subcommittee will draft a memo that outlines the genesis of the search and include the thesis for recommending an investment manager for selection. The Consortium will review the memo and vote to implement the recommendation. If there is a simple majority consensus, the Consortium and the Contractor(s) will then begin the implementation of the recommendation.

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

1.0 Statement of Purpose of Investment Policy

The purpose of this Investment Policy Statement (the "Policy") is to assist contractors retained by the Achieving a Better Life Experience Program Alliance (the "Consortium") to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience ("ABLE") pool that are contributed to the Illinois Achieving a Better Life Experience program (the "Program") and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium's investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium's long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 Establishment and Authority of Entity

The Illinois Achieving a Better Life Experience program has been established as part of Illinois' State Treasurer Act, 15 ILCS 505 ("Act"). The Act creates ABLE account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary's employment, and other sources.

3.0 Investment Philosophy

The Illinois State Treasurer's Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program's objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

Contributions to the Program will be directed to one or more of the available Target Portfolios ("Portfolios"), each composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 25 years.

The Illinois State Treasurer's Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually. The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer will prudently exercise investment stewardship to maximize anticipated financial returns, minimize projected risk, and more effectively execute its fiduciary duty. Sustainability factors shall be implemented within such a framework predicated on the following:

- A. Prudent integration of material sustainability factors, including, but not limited to (1) corporate governance and leadership factors, (2) environmental factors, (3) social capital factors, (4) human capital factors, and (5) business model and innovation factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership, given that these tangible and intangible factors may have material and relevant financial impacts;
- B. Recurring evaluation of sustainability factors to ensure the factors are relevant and decision-useful to the Program and the evolving marketplace;

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

- C. Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through the exercise of proxy voting rights and engagement with entities – such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations – and move the marketplace toward more prudent, sustainable business practices; and
- D. Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

4.0 Investment Objectives

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 Investment Responsibilities

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the “Manager”) for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium’s approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the 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 like character and with like objectives.

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results, evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

5.1 Treasurer's Investment Policy Committee

The Treasurer's Office maintains an Investment Policy Committee that is chaired by the Treasurer and includes the following members of the Treasurer's staff: Deputy Treasurer & Chief Investment Officer, Chief of Staff, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of Portfolio Risk and Analytics, Director of ePAY and The Illinois Funds, the Portfolio Investments & Cash Management Officer, and anyone else deemed appropriate by the Treasurer. The Investment Policy Committee will perform oversight and advisory duties on behalf of the Treasurer's Office to support the Program, including, but not limited to:

- Monitoring and providing insight into the construction and overall strategy of the investment portfolio;
- Reviewing and providing insight into the investment policies, objectives, parameters, responsibilities, benchmarks, or management structure as appropriate;
- Monitoring investment performance results and associated costs/fees on a quarterly basis;
- Providing guidance and feedback regarding the suitability of prospective investment funds that are recommended for receipt of Program monies;
- Monitoring and evaluating the performance and continuing appropriateness of each fund manager;
- Assisting in the evaluation of the Manager, external investment consultants, and any other external parties hired to service the Program; and
- Providing general commentary, perspective, and insights regarding market conditions that may impact the Program.

5.2 Preference for Investment Managers Owned by Minorities, Women, Veterans, and Persons with Disabilities

Pursuant to 15 ILCS 505/30, it shall be an aspirational goal of the Treasurer and its agents to use businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability for not less than 25% of the total dollar amount of funds under management in the Program.

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability", and "control" have the meanings provided in Section 1 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575). The terms "veteran", "qualified veteran-owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 1 of the Illinois Procurement Code (30 ILCS 500).

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it shall be the policy of the Treasurer and its agents to remove any barriers to the full participation in investment management services afforded via the Program by actively identifying and considering for hire investment managers that are owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability.

6.0 Risk Management

The Illinois State Treasurer's Office shall develop internal processes and procedures to ensure that effective risk management systems are in place to monitor the risk levels of the Program. The processes shall ensure that the risks taken are prudent and properly managed, provide an integrated process for overall risk management, and assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and standards. The Illinois State Treasurer's Office and the Manager shall meet quarterly to review Portfolio and underlying fund performance as compared to the applicable benchmarks and peer group performance and will review the asset allocation of each Portfolio on an annual basis.

7.0 Investment Parameters

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
International Fixed Income	Bloomberg Barclays Global Aggregate Bond ex-US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Short Term Investments	3-month T-Bills	0.00%	0.00%	0.0%	0.00%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

8.0 BANKING OPTION

The Program has included the option for participants for a short-term investment vehicle in the form of a Demand Deposit Account (the "Banking Option"). The Banking Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low-risk rate of return. This option allows the participants the ability to execute recurring transactions with greater ease. The provider for the Banking Option will be Fifth Third Bank (the "Banking Option Provider").

The Banking Option Provider will provide monthly account statements following any month in which an account using the Account utilizing the Banking Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent via /or Authorized

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

Agents by U.S. postal mail and/or provided via website access electronic delivery, as selected specified by the Account Owner.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

Exhibit A Target Portfolio Objectives

The **Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective June 2019 through April 2020)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
Securities Index iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

1.0 STATEMENT OF PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (the "Policy") is to assist contractors retained by the Achieving a Better Life Experience Program Alliance (the "Consortium") to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience ("ABLE") pool that are contributed to the Illinois Achieving a Better Life Experience program (the "Program") and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium's investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium's long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 ESTABLISHMENT AND AUTHORITY OF ENTITY

The Illinois Achieving a Better Life Experience program has been established as part of Illinois' State Treasurer Act, 15 ILCS 505 ("Act"). The Act creates ABLE account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary's employment, and other sources.

3.0 INVESTMENT PHILOSOPHY

The Illinois State Treasurer's Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program's objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

Contributions to the Program will be directed to one or more of the available Target Portfolios ("Portfolios"), each composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 25 years.

The Illinois State Treasurer's Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer and its agents shall prudently integrate sustainability factors into its investment decision-making, investment manager selection, investment analysis, portfolio construction, risk management, and due diligence. The sustainability analysis adds an additional layer of rigor to the fundamental analytical approach and helps assess the reliability of future cash flows and debt repayments. Sustainability accounting has both confirmatory and predictive value, thus, it can be used to evaluate past performance and be used for future planning and decision-making. As a complement to financial accounting, it provides a more complete view of an investment fund or portfolio company's performance on material factors likely to impact its long-term value. Sustainability factors shall be implemented within a framework predicated on the following:

- A. Prudent integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership given that these tangible and intangible factors may have a material and substantive financial impacts as well as non-financial impacts;

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

- B. Recurring evaluation of sustainability factors to ensure the factors are relevant to the Program and the evolving marketplace; and
- C. Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices.

Consideration of other relevant factors such as market, operational, legal, regulatory, financial, credit, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

4.0 INVESTMENT OBJECTIVES

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 INVESTMENT RRESPONSIBILITIES

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the "Manager") for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium's approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the 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 like character and with like objectives.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results, evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

5.1 Treasurer's Investment Policy Committee

The Treasurer's Office maintains an Investment Policy Committee that is chaired by the Treasurer and includes the following members of the Treasurer's staff: Deputy Treasurer & Chief Investment Officer, Chief of Staff, Chief Financial Products Officer, Chief Legislative and Policy Officer, General Counsel, Director of State Investments and Banking, Director of Investment Analysis and Due Diligence, Director of Fiscal Operations, Director of IPTIP Investments, Director of ePAY and The Illinois Funds, the Portfolio Investments & Cash Management Officer, and anyone else deemed appropriate by the Treasurer. The Investment Policy Committee will perform oversight and advisory duties on behalf of the Treasurer's Office to support the Program, including, but not limited to:

- Monitoring and providing insight into the construction and overall strategy of the investment portfolio;
- Reviewing and providing insight into the investment policies, objectives, parameters, responsibilities, benchmarks, or management structure as appropriate;
- Monitoring investment performance results and associated costs/fees on a quarterly basis;
- Providing guidance and feedback regarding the suitability of prospective investment funds that are recommended for receipt of Program monies;
- Monitoring and evaluating the performance and continuing appropriateness of each fund manager;
- Assisting in the evaluation of the Manager, external investment consultants, and any other external parties hired to service the Program; and
- Providing general commentary, perspective, and insights regarding market conditions that may impact the Program.

5.2 Preference for Investment Managers Owned by Minorities, Women, Veterans, and Persons with Disabilities

Pursuant to 15 ILCS 505/30, it shall be an aspirational goal of the Treasurer and its agents to use businesses owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability for not less than 25% of the total dollar amount of funds under management in the Program.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

The terms "minority person", "woman", "person with a disability", "minority-owned business", "women-owned business", "business owned by a person with a disability", and "control" have the meanings provided in Section 1 of the Business Enterprise for Minorities, Women, and Persons with Disabilities Act (30 ILCS 575). The terms "veteran", "qualified veteran-owned small business", "qualified service-disabled veteran-owned small business", "qualified service-disabled veteran", and "armed forces of the United States" have the meanings provided in Article 1 of the Illinois Procurement Code (30 ILCS 500).

To the greatest extent feasible within the bounds of financial and fiduciary prudence, it shall be the policy of the Treasurer and its agents to remove any barriers to the full participation in investment management services afforded via the Program by actively identifying and considering for hire investment managers that are owned by or under the control of qualified veterans of the armed forces of the United States, qualified service-disabled veterans, minority persons, women, or persons with a disability.

6.0 RISK MANAGEMENT

The Illinois State Treasurer's Office shall develop internal processes and procedures to ensure that effective risk management systems are in place to monitor the risk levels of the Program. The processes shall ensure that the risks taken are prudent and properly managed, provide an integrated process for overall risk management, and assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and standards. The Illinois State Treasurer's Office and the Manager shall meet quarterly to review Portfolio and underlying fund performance as compared to the applicable benchmarks and peer group performance and will review the asset allocation of each Portfolio on an annual basis.

7.0 INVESTMENT PARAMETERS

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

State of Illinois
Office of the Treasurer

National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
Foreign Bonds	Bloomberg Barclays Global Aggregate Bond ex- US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.0%	0.00%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

8.0 BANKING OPTION

The Program has included the option for participants for a short-term investment vehicle in the form of a Demand Deposit Account (the "Banking Option"). The Banking Option will be an FDIC-Insured bank account whose primary objective is the preservation and safety of the principal and the provision of a stable and low-risk rate of return. This option allows the participants the ability to execute recurring transactions with greater ease. The provider for the Banking Option will be Fifth Third Bank (the "Banking Option Provider").

The Banking Option Provider will provide monthly account statements following any month in which an account using the Account utilizing the Banking Option had financial activity. All account statements shall be sent to the respective Account Owner and any authorized agents and may be sent via /or Authorized Agents by U.S. postal mail and/or provided via website access electronic delivery, as selected specified by the Account Owner.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

**Exhibit A
Target Portfolio Objectives**

The **Aggressive Target Portfolio** seeks to provide very aggressive capital appreciation and some current income. The fund holds 90% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 10% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for the most aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Aggressive Target Portfolio** seeks to provide aggressive capital appreciation and some current income. The fund holds 75% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 25% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for aggressive growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Growth Target Portfolio** seeks to provide capital appreciation and some current income. The fund holds 60% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 40% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderate Target Portfolio** seeks to provide moderate capital appreciation and current income. The fund holds 45% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 55% in bonds, allocated among domestic and international bonds. Investors with a long-term time horizon who are looking for growth of principal over time and who can accept stock market volatility may wish to consider this Portfolio.

The **Moderately Conservative Target Portfolio** seeks to provide conservative capital appreciation and current income. The fund holds 30% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 70% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a medium-term time horizon who are looking for conservative growth of principal over time and who can accept some stock market volatility may wish to consider this Portfolio.

The **Conservative Target Portfolio** seeks to provide very conservative capital appreciation and current income. The fund holds 10% of its assets in stocks allocated among domestic stocks, international stocks, and REITs and 90% in bonds, allocated among domestic bonds, international bonds, and short-term investments. Investors with a short-term time horizon who are looking for very conservative growth of principal over time and who can accept limited stock market volatility may wish to consider this Portfolio.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective September 2018 through June 2019)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
Vanguard Short-Term Bond Index Fund	Short-Term Investment Grade	Bloomberg Barclays U.S. Gov't/Credit 1-5yr
Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
iShares Core International Aggregate Bond ETF	International Bond	Bloomberg Barclays Global Aggregate Bond ex-US
Sallie Mae High-Yield FDIC	Cash & Cash Equivalents	3-month T-Bills

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

1.0 STATEMENT OF PURPOSE OF INVESTMENT POLICY

The purpose of this Investment Policy Statement (the "Policy") is to assist contractors retained by the Achieving a Better Life Experience Program Alliance (the "Consortium") to provide services related to the management of the assets of the Illinois Achieving a Better Life Experience ("ABLE") pool that are contributed to the Illinois Achieving a Better Life Experience program (the "Program") and to assist the Consortium in evaluating the performance of such contractors by:

- Describing the Consortium's investment objectives;
- Providing general guidelines for the investment of assets of the Program;
- Describing the Consortium's long-term investment strategy;
- Describing the process of evaluating the performance of employees or contractors that provide investment management services to the Program; and
- Specifying the responsibilities of any contractors that provide investment management services to the Program.

This is the official Policy of the Program. Deviation from this Policy is not permitted without prior, explicit, written permission from the Consortium.

2.0 ESTABLISHMENT AND AUTHORITY OF ENTITY

The Illinois Achieving a Better Life Experience program has been established as part of Illinois' State Treasurer Act, 15 ILCS 505 ("Act"). The Act creates ABLE account program to encourage and assist individuals and families in saving private funds for the purpose of supporting persons with disabilities in endeavors to maintain health, independence, and quality of life, and to provide secure funding for disability-related expenses on behalf of designated beneficiaries with disabilities that will supplement, but not supplant, benefits provided through private insurance, federal and State medical and disability insurance, the beneficiary's employment, and other sources.

3.0 INVESTMENT PHILOSOPHY

The Illinois State Treasurer's Office, as a member of the Consortium, has adopted a long-term total return strategy for the Program and its investments. In order to achieve the Program's objectives, investments shall be diversified so as to minimize the risk of loss. While some asset classes may experience short-term and intermediate-term volatility, their long-term return assumptions justify their inclusion. A long-term focus on investment results as well as prudent diversification across public security markets will be the primary risk control mechanisms.

In its investment strategy, the Consortium has relied on prevailing financial theory, which currently utilizes a long-term diversified asset allocation strategy. A prudently allocated investment program possesses a significant level of diversification, which produces risk reduction. In terms of impact, diversification shall be considered along the following lines: (1) asset classes (stocks, bonds, cash, etc.); (2) geography/country; (3) industry; and (4) maturity.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

Contributions to the Program will be directed to one or more of the available Target Portfolios ("Portfolios"), each composed of a designated mix of investments funds. The determination of the investment parameters of each Portfolio shall be made by the Consortium and shall take into account the financial characteristics of the investments in the Program. The investment parameters will also give due consideration to the fact that the investment horizon for participants will vary from a few months to over 25 years.

The Illinois State Treasurer's Office will review the investment performance of each Portfolio at least quarterly and shall review this Policy at least annually.

The holdings of the Program and the Portfolios are divided into the following broad asset categories:

- Short-Term Investments
- Domestic Fixed Income Investments
- International Fixed Income Investments
- Domestic Equity Investments
- International Equity Investments
- Real Estate Investments

The Consortium will establish reasonable guidelines for each Portfolio, specifying (as applicable) limits on asset and asset class exposures, risk constraints and investment return objectives. While the investment parameters offered under the Program are developed by the Consortium, participants bear the risk of investment results.

The administration and offering of the Program should not be relied upon as a guarantee to participants. Each participant should seek appropriate advice as he or she deems necessary.

Consistent with achieving the foremost investment objectives of the Treasurer set forth herein, the Treasurer will prudently exercise investment stewardship to fulfill its fiduciary duty, increase expected financial returns, minimize projected risk, and contribute to a more just, accountable and sustainable State of Illinois. Sustainability factors shall be implemented within a framework predicated on the following:

- A. Prudent integration of material sustainability factors, including, but not limited to environmental, social capital, human capital, business model and innovation, and leadership and governance factors, as components of portfolio construction, investment decision-making, investment analysis and due diligence, prospective value proposition, risk management, and investment ownership given that these tangible and intangible factors may have a material and substantive financial impacts as well as non-financial impacts;
- B. Recurring evaluation of sustainability factors to ensure the factors are relevant to the Program and the evolving marketplace; and

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

- C. Attentive oversight of investment holdings to encourage the advancement of sustainability accounting and disclosure through engagement with entities, such as investment funds, investment holdings, portfolio companies, government bodies, and other organizations, and move the marketplace toward more prudent sustainability investment practices.

Consideration of other relevant factors such as legal, regulatory, and reputational risks that enable an optimal risk management framework and supports long-term investment value.

4.0 INVESTMENT OBJECTIVES

The overall investment program for the Program and, as applicable, the Portfolios provided to the participants shall seek to achieve the following long-term investment objectives:

- A long-term competitive rate of return on investments that is equal to or exceeds a return of the applicable benchmarks shown in Section 7.0 hereof; and
- An investment program flexible enough to meet the needs of participants based upon their age or investment objective and which provides each individual with the ability to invest in a diversified portfolio to meet his or her long-term investment goals.

5.0 INVESTMENT RESPONSIBILITIES

The Consortium is responsible for the direction of investments and administration of the assets of the Program. In order to properly carry out his responsibilities, the Consortium may rely on one or more contractors to assist in the administration of the Program. The Consortium will engage and plan to rely heavily on said contractor (the "Manager") for administrative services and investment management services. Among the current responsibilities of the Manager is the implementation of the investment strategy outlined in this Policy and the rebalancing of the Target Portfolios when market movement and/or cash flows cause an asset class to be outside its policy allocation bands. With the Consortium's approval, the Manager may retain an investment advisor to provide it with portfolio design, due diligence and ongoing monitoring services with respect to the Portfolios and the implementation of the investment strategy outlined in this policy. The Consortium and the Manager shall meet quarterly to review portfolio performance as compared to the applicable benchmarks and peer group performance.

In managing the investments of the Program and the Portfolios, the Manager agrees that it will act with the 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 like character and with like objectives.

The Program will rely on external investment consultants for investment and administrative advisory services. The independent investment consultant will:

- Measure investment performance results, evaluate the investment program, and advise the Consortium as to the performance and continuing appropriateness of each investment manager;
- Recommend modifications to the investment policies, objectives, guidelines, or management structure as appropriate; and
- Promptly inform the Consortium regarding significant matters pertaining to the investment program.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

6.0 RISK MANAGEMENT

The Illinois State Treasurer's Office shall develop internal processes and procedures to ensure that effective risk management systems are in place to monitor the risk levels of the Program. The processes shall ensure that the risks taken are prudent and properly managed, provide an integrated process for overall risk management, and assess investment returns as well as risk to determine if the risks taken are adequately compensated compared to applicable performance benchmarks and standards. The Illinois State Treasurer's Office and the Manager shall meet quarterly to review Portfolio and underlying fund performance as compared to the applicable benchmarks and peer group performance and will review the asset allocation of each Portfolio on an annual basis.

7.0 INVESTMENT PARAMETERS

Contributions will be invested in one or more of the available Portfolios, each composed of a designated mix of investments which is appropriate for the investment preference of the participant or the investment objective of the Portfolio. Each Portfolio may allocate assets among domestic equity, international equity, real estate, domestic and international fixed-income, and/or cash and cash equivalents. The asset allocation of each Portfolio will be established by the Consortium and managed by the Manager. The Consortium may adjust the weighting in stocks, bonds, real estate, and cash in each Portfolio and may change the underlying investment funds within the Portfolios consistent with this Policy.

The policy target asset allocations and benchmarks for the underlying investments within the Target Portfolios are shown in the following table. There is a permissible range of plus or minus 5% of the target allocation for each underlying investment fund. Please refer to Exhibit A for Target Portfolio Objectives and refer to Exhibit B for a list of underlying investment products and their corresponding benchmarks.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

Target Portfolios		#1	#2	#3	#4	#5	#6
Asset Class	Benchmark	Aggressive	Moderately Aggressive	Growth	Moderate	Moderately Conservative	Conservative
Domestic Equity	S & P 500 Index	31.50%	26.25%	21.00%	15.75%	10.50%	3.50%
	S & P Completion	27.00%	22.50%	18.00%	13.50%	9.00%	3.00%
Real Estate	Dow Jones U.S. Select Real Estate Index	9.00%	7.50%	6.00%	4.50%	3.00%	1.00%
International Equity	MSCI EAFE	16.20%	13.50%	10.80%	8.10%	5.40%	1.80%
	MSCI Emerging Markets	6.30%	5.25%	4.20%	3.15%	2.10%	0.70%
Domestic Fixed Income	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.	3.50%	8.75%	14.00%	19.25%	15.75%	10.50%
	Bloomberg Barclays U.S. Aggregate Bond	3.00%	7.50%	12.00%	16.50%	13.50%	9.00%
	Bloomberg Barclays U.S. Gov't/Credit 1-5yr	2.50%	6.25%	10.00%	13.75%	11.25%	7.50%
Foreign Bonds	Bloomberg Barclays Global Aggregate Bond ex- US	1.00%	2.50%	4.00%	5.50%	4.50%	3.00%
Money Market	3-month T-Bills	0.00%	0.00%	0.0%	0.0%	25.00%	60.00%

Each underlying investment fund's return objective is to equal or exceed, over a five-year rolling period, the return of the applicable benchmark net of fees. Volatility, measured by the standard deviation of quarterly returns over that period, is expected to be similar to the benchmark. Each underlying investment fund is also expected to perform favorably relative to its peer group.

To the extent that the assets of a Portfolio are invested in one or more underlying investment funds approved by the Consortium having investment objectives consistent with the above-noted asset allocation categories, the above-noted percentage guidelines shall be deemed satisfied. This shall be the case even if such underlying investment fund's underlying assets may not be entirely invested in the asset class in which such underlying investment fund has been placed.

**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

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**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

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**State of Illinois
Office of the Treasurer**

**National ABLE Alliance
Achieving a Better Life Experience
Illinois Investment Policy Statement
(Effective May 2018 through September 2018)
(Unaudited)**

**Exhibit B
Underlying Investment Products**

Underlying Investment Product	Asset Class	Benchmark
Vanguard Institutional Index Fund	U.S. Large Cap	S & P 500 Index
Vanguard Extended Market Index Fund	U.S. Small & Mid Cap	S & P Completion
iShares Core MSCI EAFE ETF	Non-U.S. Multi Cap	MSCI EAFE
Schwab Emerging Markets Equity ETF	Emerging Markets	MSCI Emerging Markets
Schwab U.S. REIT ETF	Real Estate	Dow Jones U.S. Select Real Estate Index
Vanguard Total Bond Market Index Fund	U.S. Core Bond	Bloomberg Barclays U.S. Aggregate Bond
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Vanguard Short-Term Inflation Protected Securities Index	Short-Term Inflation Protected Bond	Bloomberg Barclays US Treasury TIPS 0-5 Yrs.
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**Independent Auditor's Report on Internal Control Over
Financial Reporting and on Compliance and Other Matters
Based on an Audit of Financial Statements Performed in
Accordance with *Government Auditing Standards***

**Independent Auditor's Report on Internal Control Over
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The Honorable Frank J. Mautino
Auditor General
State of Illinois

Report on the Financial Statements

As Special Assistant Auditors for the Auditor General, we have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the Illinois Achieving a Better Life Experience Program (ABLE), a fiduciary (private-purpose trust) fund of the State of Illinois, Office of the Treasurer, as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the ABLE Program financial statements, and have issued our report thereon dated December 18, 2020.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the State of Illinois, Office of the Treasurer, ABLE financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Internal Control Over Financial Reporting

Management is responsible for establishing and maintaining effective internal control over financial reporting (internal control). In planning and performing our audit of the financial statements, we considered the State of Illinois, Office of the Treasurer's internal control as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the State of Illinois, Office of the Treasurer's internal control. Accordingly, we do not express an opinion on the effectiveness of the State of Illinois, Office of the Treasurer's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit, we did not identify any deficiencies in internal

control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the State of Illinois, Office of the Treasurer's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the State of Illinois, Office of the Treasurer's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Crowe LLP

Springfield, Illinois
December 18, 2020

SCHEDULE OF FINDINGS

**State of Illinois
Office of the Treasurer**

**Illinois ABLE Program
Schedule of Findings – Prior Finding Not Repeated
For the Year Ended June 30, 2020**

A. FINDING (Lack of Adequate Controls over the Review of External Service Provider)

During the prior audit, the Office of the Treasurer (Office) did not maintain adequate internal controls to properly assess the procedures required to sufficiently review one external subservice organization and document its review of controls.

During the current audit, we noted the Office implemented adequate internal controls to properly assess and review all external service and subservice organizations and document its review of controls. (Finding Code No. 2019-001, 2018-001, 2017-001)