**Section 2700.311 Standards Governing the Selection of Investment Options**

a) The Board, in consultation with investment staff and an independent investment consultant, is responsible for the selection and monitoring of the Investment Options for the Plan.

b) The objective of the Board is to offer a sufficient range of Investment Options with materially different risk and return characteristics to allow Plan Participants, by choosing among those Investment Options, the opportunity to diversify their account balances and construct portfolios consistent with their unique individual circumstances, goals, time horizons, and tolerance for risk.

c) The screening process used by the Board to select Investment Options for inclusion in the Plan will consider attributes relevant to the specific asset class and search objective, as developed by the investment staff and investment consultant. The attributes for passively managed investment options designed to track the return and risk characteristics of a specific index may differ from the attributes considered for actively managed strategies. The Board's screening process for certain attributes may differ from the following selection criteria in an effort to identify the most suitable Investment Options. Attributes may include, but are not limited to, the following:

1) Registration with the Securities and Exchange Commission under the Investment Advisors Act of 1940 (15 U.S.C. 80b-1 through 80b-21);

2) A minimum number of years of verifiable firm and team performance history;

3) A minimum number of years for portfolio manager tenure and experience;

4) Robustness of firm's investment philosophy and process;

5) Historical performance and risk review of cumulative, annual and rolling time periods;

6) Classification of style to determine the basis to compare to other investment managers and investment options with similar investment style/strategy and to determine if there has been deviation from style over time;

7) A minimum level of product and strategy size;

8) Firm's trading, back office, accounting, reporting and client servicing capabilities; and

9) Fees.

d) The Board's review and/or evaluation process is expected to consist of the following criteria, as appropriate, and reviews are expected to be conducted in light of full market cycles.

1) Quantitative criteria to be used by the Board to select Investment Options may include, but are not limited to, the following:

A) Adherence to clearly defined investment objectives and style of discipline over time.

B) Historical performance of annual and rolling time periods, and risk metrics such as beta, standard deviation, Sharpe ratio, information ratio, and down-market and up-market capture, versus peers and applicable market indexes.

C) Investment management fees and any additional fees (e.g., 12-b1, administrative, redemption).

D) Sufficient investment strategy and fund assets under management to accommodate the assets of the Plan.

2) Qualitative criteria to be used by the Board to select Investment Options may include, but are not limited to, the following:

A) Investment philosophy and process, including the strategy objective, discipline, valuation process, implementation, and research capabilities;

B) Personnel structure, including portfolio manager and research team experience, quality, tenure, and turnover;

C) Business goals and structure, including ownership, compensation, and incentive practices;

D) Demonstrated commitment to operations and technology efficiencies; and

E) Willingness, pursuant to contract between the Board, on behalf of the Plan, and the investment manager, to meet specified requirements, including the obligation to meet with Board staff and consultant as requested for a review of the performance of the Investment Option.

e) The Board shall use best efforts to include representation of emerging investment managers and minority investment managers in the Plan. The Plan shall seek to include at least one Investment Option managed by a State certified minority money manager, unless the Board determines that no such entity exists that conforms to the Board's fiduciary responsibility.

f) An independent investment consultant shall be responsible for performing thorough due diligence on each Investment Option, monitoring the performance of the Investment Options on an ongoing basis, and providing a quarterly report to the Board that addresses the performance of each Investment Option relative to the appropriate index and peer universe.

g) The selection of Investment Options for the Plan will occur in an environment of full disclosure characterized by competitive selection, objective evaluation and proper documentation. The overriding consideration with respect to all decisions made by the Board concerning the Plan is that the decisions be made solely in the best interests of the Plan's Participants and Beneficiaries. The following protocols guide the Board's selection of Investment Options for the Plan:

1) The Board shall select Investment Options for the Plan, in consultation with its investment staff and independent investment consultant, through a competitive proposal process, using uniform documents for the solicitation, review and acceptance of the Investment Option. Uniform documents may vary by the investment structure of an Investment Option. The Board may deviate from this process only if, in consultation with its investment staff and independent investment consultant, it determines that an emergency procurement is in the best interest of the Plan's Participants.

2) The competitive proposal documents shall contain, at a minimum:

A) a description of the goal to be achieved;

B) the particular strategy of Investment Option;

C) the need for the Investment Option;

D) the qualifications that are necessary; and

E) a plan for post-performance review by the Board's investment consultant.

3) The Board and its investment consultant shall determine parameters for the Investment Option search. Advertisements for the Investment Option search shall be placed in one or more industry periodicals at least 14 days before the response is due.

4) All interested respondents shall return their responses to the Board, as directed by the proposal document. Investment staff and investment consultant shall open the responses, record them and thoroughly review each for content, quality and compliance with proposal document requirements.

5) Following review and evaluation of the responses from interested firms, the field of candidates is narrowed to a smaller list of the most highly qualified Investment Options. At this point, the Board's investment staff and investment consultant will meet with representatives of each Investment Option to obtain an independent assessment of each option's capabilities.

6) Following the interviews with the selected Investment Options, the Board's investment staff and investment consultant will recommend to the Board one or more Investment Options for the Plan. Generally, the finalists appear before the Board to present their qualifications.

7) The Board will accept or modify the recommendation and is tasked with making the final decision with respect to the Investment Options for the Plan.

8) Subsequent to the Board's decision, the Board's legal counsel, investment staff and investment consultant will coordinate with representatives of the Investment Option, Department and the Recordkeeper, in order to provide an appropriate transition for the new Investment Option into the Plan and provide appropriate notice of the transition to the Plan.

(Source: Amended at 47 Ill. Reg. 12412, effective August 4, 2023)