HOFFMAN ESTATES FIREFIGHTERS PENSION FUND

INVESTMENT POLICY

Updated and Adopted:

January, 2014
October, 2014
October, 2015

A. PURPOSE OF AN INVESTMENT POLICY

The investment of public monies is a major responsibility and a statutory requirement of the Board of Trustees of the Hoffman Estates Firefighters Pension Fund (the "Pension Board" or "HEFPF" or "Fund") as provided by law, including but not limited to Pension Code Sections 40 ILCS 5/4-135, 1-113.1, and 1-113.6. The purpose of this investment policy is to indicate a conscious, formal effort by the Pension Board to develop, implement, and monitor the investment of all HEFPF monies. This policy contains the Pension Board's guidelines for the management of its assets and established investment objectives for stewardship of pension funds.

It is Pension Board policy to invest public funds in a manner which will provide the highest investment return for the level of risk taken while meeting the pension benefit obligations and any other cash flow demands of the Fund while conforming to all state and local statutes governing the investment of public funds.

B. SCOPE

This investment policy applies to the Pension Board and to those who with whom the Pension Board contracts. The investments of the plan will be diversified so as to minimize the risk of large losses, unless it is clearly prudent not to do so. The Pension Board seeks to attain market rates of return on its investments, consistent with constraints imposed by its safety objectives, cash flow considerations, and Illinois state laws that restrict the investment of pension funds.

C. PRUDENCE AND INDEMNIFICATION

The Pension Board shall discharge their duties solely in the interest of the participants and beneficiaries and:

(a) For the exclusive purpose of:
  (1) Providing benefits to participants and their beneficiaries; and
  (2) Defraying reasonable expenses of administering the retirement system or pension fund;
(b) With the care, skill, prudence and diligence under the circumstances then prevailing that a prudent man acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims;
(c) By diversifying the investments of the retirement system or pension fund so as to minimize the risk of large losses, unless under the circumstances it is clearly prudent not to do so; and
(d) In accordance with the provisions of the Article of the Pension Code governing the retirement system or pension fund.

[(40 ILCS 5/1-109) (from Ch. 108 1/2, par. 1-109) Sec. 1-109]

Pension Board Trustees acting in good faith, in accordance with this investment policy, shall be relieved of personal responsibility for an individual security's credit risk or market price changes.

D. INVESTMENT POLICY OBJECTIVES

1. Each investment that is made shall seek to insure that capital losses are avoided, whether they are from default or erosion of market values. Investments shall be made solely in the interest of the beneficiaries of the Fund.

2. The investment portfolio shall remain sufficiently liquid to enable the Fund to meet all operating requirements which may be reasonably anticipated.

3. In order to further protect capital, the Pension Board shall diversify investments to avoid incurring unreasonable risks from the practice of concentrating investments in specific security types and/or individual financial institutions.

4. The investment portfolio shall be designed with the purpose of both meeting or outperforming the actuarial rate of return established by the Illinois Department of Insurance (currently 6.75%).

5. The Fund may employ one or more investment managers of varying styles and philosophies to attain the Fund's objectives.

6. In order to meet its needs, the investment strategy of the Fund is to emphasize total return; that is, the aggregate return from capital appreciation, dividends, and interest income.

E. DELEGATION OF AUTHORITY

Management responsibility for the investment program is the responsibility of the Pension Board, which shall establish written procedures for the operation of the investment program, consistent with this investment policy. Such procedures shall include explicit delegation of authority to other persons responsible for investment transactions and investment records.

No person may engage in investment transactions except as provided for by the terms of this policy and the procedures established by the Pension Board. The Pension Board may appoint an investment advisor (the "Investment Advisor", per 40 ILCS 5/1-113.5). The Treasurer shall establish a system of internal controls to regulate these activities on behalf of the Pension Board. These controls will be designed to prevent losses of public funds arising from fraud, misrepresentation by third parties, or imprudent actions by fiduciaries and public officials involved with the Pension Board.

F. ETHICS AND CONFLICTS OF INTEREST

Fiduciaries, officers, members of the Pension Board and any employees of the Village of Hoffman Estates involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair the ability to make impartial investment decisions. These individuals must disclose any material financial interests in financial institutions or dealers that conduct business with the Fund to the Pension Board President and Treasurer. Said individuals must further disclose any personal financial/investment positions that could be related to the performance of the Fund, particularly with regard to the timing of purchases and sales.

G. AUTHORIZED and SUITABLE INVESTMENTS

Investments of the Fund are limited to those authorized by statutes governing suburban and downstate Firefighter Pension Funds (40 ILCS 5/1-113.2 to 1-113.4a).

Additional investments in instruments authorized by law are to be approved at meetings held by the Pension Board and this investment policy updated accordingly.

The Fund will specifically avoid any direct purchase of financial forwards or futures, options, derivatives and other instruments which will leverage the portfolio or cause increased risk exposure to the assets.

H. BIDDING REQUIREMENTS FROM AUTHORIZED FINANCIAL DEALERS AND INSTITUTIONS

When making in-house *direct* (as opposed to Investment Advisor supervised or managed) purchases or sales of investments, it shall be the policy of the Fund to seek no less than three competitive quotes from primary dealers or national banks, both of which must be authorized to do business in the State of Illinois. Purchase will be made from the entity providing the most favorable, responsible bid to the Fund. Documentation will be retained for all bids, with the most favorable and responsible bid clearly identified. If for any reason a purchase is made that was not the most favorable bid or if three bids were not obtained, reasons for such action will be documented.

I. SAFEKEEPING AND CUSTODY OF INVESTMENTS

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

The assets of the Fund and ownership of its investments shall be protected through third-party custodial safekeeping. The Pension Board may appoint as custodian of the investments of its pension fund the treasurer of the municipality, a bank or trust company authorized to conduct a trust business in Illinois, or the Illinois Public Treasurer's Investment Pool.

A dealer may not maintain possession of or control over securities of the Pension Fund subject to the provisions of this Section unless it is registered as a broker-dealer with the U.S. Securities and Exchange Commission and is a member in good standing of the National Association of Securities Dealers, and (1) with respect to securities that are not issued only in book-entry form, (A) all such securities of each fund are either held in safekeeping in a place reasonably free from risk of destruction or held in custody by a securities depository that is a "clearing agency" registered with the U.S. Securities and Exchange Commission, (B) the dealer is a member of the Securities Investor Protection

Corporation, (C) the dealer sends to each fund, no less frequently than each calendar quarter, an itemized statement showing the moneys and securities in the custody or possession of the dealer at the end of such period, and (D) an independent certified public accountant conducts an audit, no less frequently than each calendar year, that reviews the dealer's internal accounting controls and procedures for safeguarding securities; and (2) with respect to securities that are issued only in book-entry form, (A) all such securities of each fund are held either in a securities depository that is a "clearing agency" registered with the U.S. Securities and Exchange Commission or in a bank that is a member of the Federal Reserve System, (B) the dealer records the ownership interest of the funds in such securities on the dealer's books and records, (C) the dealer is a member of the Securities Investor Protection Corporation, (D) the dealer sends to each fund, no less frequently than each calendar quarter, an itemized statement showing the moneys and securities in the custody or possession of the dealer at the end of such period, and (E) the dealer's financial statement (which shall contain among other things a statement of the dealer's net capital and its required net capital computed in accordance with Rule 15c3-1 under the Securities Exchange Act of 1934) is audited annually by an independent certified public accountant, and the dealer's most recent audited financial statement is furnished to the fund. No broker-dealer serving as a custodian for any public pension fund as provided by this Act shall be authorized to serve as an investment advisor for that same public pension fund as described in Section 1-101.4 of this Code, to the extent that the investment advisor acquires or disposes of any asset of that same public pension fund. Notwithstanding the foregoing, in no event may a broker or dealer that is a natural person maintain possession of or control over securities or other assets of a pension fund subject to the provisions of this Section. In maintaining securities of a pension fund subject to the provisions of this Section, each dealer must maintain those securities in conformity with the provisions of Rule 15c3-3(b) of the Securities Exchange Act of 1934 (Physical Possession or Control of Securities). The Director of the Department of Insurance may adopt such rules and regulations as shall be necessary and appropriate in his or her judgment to effectuate the purposes of this Section.

A bank or trust company authorized to conduct a trust business in Illinois shall register, deposit, or hold investments for safekeeping, all in accordance with the obligations and subject to the limitations of the Securities in Fiduciary Accounts Act.
(40 ILCS 5/1-113.7)

A bank or savings and loan association shall not receive investment funds from a pension fund established under Article 4 of this Code, unless it has complied with the requirements established under Section 6 of the Public Funds Investment Act. The limitations set forth in that Section 6 are applicable only at the time of investment and do not require the liquidation of any investment at any time.
(40 ILCS 5/1-113.8)

J. DELIVERY VERSUS PAYMENT METHOD REQUIRED FOR SECURITY TRANSACTIONS

All individual security transactions entered into by the HEFPF shall be conducted on a delivery versus payment (DVP) basis. That is, simultaneous to the release of funds to purchase securities, there will be a delivery of the securities purchased to the third party custodial trust account. Likewise, for any sale of securities, there will be a simultaneous transfer of monies to the third party custodial account designated by the HEFPF. This policy insures a transfer of monies or securities will not occur before the other portion of the transaction. Both transactions are to occur simultaneously through the custodial trust account. This policy shall not conflict, however, with the normal and customary methodology for the purchase and sale of mutual funds, separate accounts or commingled funds.

K. INVESTMENT MANAGER - HIRING OF AND RELATIONSHIP WITH THE PENSION BOARD

The Pension Board recognizes that the ultimate responsibility for asset value, preservation, and growth rests with them. The Pension Board believes that its responsibility is best exercised by hiring and guiding an independent investment manager(s) rather than self administering the investment decisions through "in-house" specialists. It is recognized that the expertise involved in the determination of investment strategy and security selection must lie with the professional manager(s) and not with the Pension Board of Trustees. The Pension Board believes they can instead best exercise their responsibilities by:

1. Hiring an Investment Advisor/Consultant to assist them in establishing the investment policy, the selection of investment managers and implementation of the investment strategy;

2. Selecting qualified investment managers;

3. Communicating closely with the investment managers;

4. Monitoring performance to insure the guidelines and objectives are being met; and

5. Taking appropriate action if guidelines and objectives are not being met.

Therefore, pursuant to the Illinois Pension Code, the Pension Board may enter into an agreement whereby it hires investment managers to manage all or part of the Pension Fund assets.

It is understood:

A person is an "investment manager" with respect to a retirement system or pension fund established under this code if that person:

1. is a fiduciary appointed by the Pension Board in accordance with section 1-109.1;

2. has the power to manager, acquire, or dispose of any asset of the Pension Fund;

3. is either:

    a. registered as an investment advisor under the Investment Advisors Act of 1940;

b. a bank or trust company authorized to conduct a trust business in Illinois;

c. a life insurance company authorized to transact business in Illinois; or

d. an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953; and

4. has acknowledged in writing that he is a fiduciary with respect to the retirement system or pension fund;

5. Has adequate insurance for "errors and omissions" and has surety bond coverage at levels deemed acceptable to the Pension Board and naming the Pension Board as an additional insured; and

6. Has agreed in a written contract to adhere to the "prudent investment expert" standard. This standard will explicitly state that the manager will conduct his (her) duties with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent investment expert acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims; provided, however, that this standard of care shall in no case be, or interpreted to be, less stringent or less restrictive than any investment standard or standards, now in effect or included by amendment effective in the future, prescribed for investments by Illinois law.

All agreements with the manager(s) shall be in writing. All investments made by the managers(s) shall conform to all aspects of this investment policy. The manager(s) shall report to the Pension Board on no less than a quarterly basis. All investments made by the investment manager(s) shall be reviewed at each quarterly meeting of the Pension Board to insure that investments are in compliance with Illinois law as well as its investment policy and shall take steps to ratify that review at each quarterly meeting.

It is understood that whether the investment manager has discretionary authority (without requiring approval to purchase or sell investments from the Pension Board) or nondiscretionary (requiring approval to purchase or sell investment from the Pension Board), the investment manager(s) must still comply with this investment policy.

The Investment Advisor/Consultant shall prepare a written report on a quarterly basis and provide it to the Pension Board including a copy of all investment transactions made for the quarter meeting.

As a condition to act in any kind of investment managerial capacity, said investment manager must sign a document that this investment policy has been read, fully understood, and will be complied with accordingly. Further, the Pension Board expects to be apprised of any significant changes in investment outlook and strategy; as well as important changes in the organization structure, financial condition, or senior personnel changes (including any personnel who will be assigned to any and all aspects of the Fund) of the investment manager's firm.

The current and future investment manager(s), if any, retained by the Pension Board shall execute an "Acknowledgement of Fiduciary" substantially in the form included at the conclusion of this Policy.

L. ACCOUNTING

The Pension Fund shall maintain its financial reports records on the basis of fund accounting. The Pension Fund is considered an accounting entity separate from the other funds of the Village of Hoffman Estates. All investment transactions shall be recorded in accordance with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board.

M. FINANCIAL INSTITUTIONS

It shall be the policy of the Pension Fund to select financial institutions for direct "in-house" investments of assets on the following basis:

1. Security. The Pension Fund will maintain funds in federally insured financial institutions only. The Pension Fund will not maintain funds at any financial institution in excess of federally insured limitations without sufficient collateral.

2. Size. The Pension Fund will not maintain deposits at any financial institutions where total Village of Hoffman Estates funds on deposit exceed 50% of the institution's capital stock and surplus.

3. Statement of Condition. The Pension Board may request from time to time, an inspection of current statements of conditions for each financial institution named as a depository. Any institution unwilling or unable to provide a current statement of condition will have all pension funds withdrawn immediately upon notice of refusal.

N. COLLATERAL REQUIREMENTS

Except for bank managed money market mutual funds (which by definition invest directly in high liquid government backed securities), deposits in excess of federally insured limits in financial institutions will be required to be secured by some form of collateral. The Pension Board will accept any of the following assets as collateral:

1. United States Treasury Bills, Notes or Bonds

2. United States Government Agency Notes or Bonds as authorized by the Public Funds Investment Act but excluding the government sponsored agencies prohibited by the Illinois Department of insurance.

The amount of collateral provided will not be less than 110% of the fair market value of the net amount of Fund assets secured. The ratio of fair market value of collateral to the amount of funds secured will be reviewed quarterly by the Pension Board Treasurer, and additional collateral will be required when the ratio declines below the level required and will be released if the market value exceeds the required level. Pledged collateral will be held in safekeeping by a depository designated by the Pension Board and evidenced by a safekeeping agreement. Collateral agreements will prohibit the release of the pledged assets without the authorized signature from the Pension Board Treasurer. The Pension Board realizes there is a cost factor involved with collateralization and will pay reasonable and customary fees.

O. FREQUENCY OF REPORTING

The Investment Advisor, or Village Treasurer should the Pension Board not retain the services of an Investment Advisor (or investment managers or consultants), shall submit a report to the Pension Board on no less than a quarterly as well as yearend basis. The report shall summarize the investment strategies employed in the most recent quarter and describe the portfolio in terms of investment securities, maturities, risk characteristics, and other features. The report shall explain the quarter's total investment return and compare the return with budgetary expectations. The report shall disclose all transactions made for the quarter. Upon the completion of the reviewing process conducted by the Trustees, an annual report of the Fund shall be presented to the Village of Hoffman Estates by the Pension Board Trustees in compliance with Section 4-134 of the Illinois Pension Code (40 ILCS 5/4-134).

P. INVESTMENT SELECTION

The Board may invest the Fund only in investments authorized by Articles 1 and 4 of the Illinois Pension Code, as amended from time to time, and as authorized by other applicable law, including but not limited to Sections 1-113.1 through 1-113.14 of the Illinois Pension Code (40 ILCS 5/1-113.1 -1-113.14), and as provided in Articles Q, R, S and T, and the Aggregate Plan Asset Allocation Guidelines included as an Addendum attached to and included as part of this Policy.

As of the date of adoption of this Policy, permitted investments (40 ILCS 5/1-113.2) are:

1. Interest bearing direct obligations of the United States of America.

2. Interest bearing obligations to the extent that they are fully guaranteed or insured as to payment of principal and interest by the United States of America.

3. Interest bearing bonds, notes, debentures, or other similar obligations of agencies of the United States of America. For the purposes of this Section, "agencies of the United States of America" includes: (i) the Federal National Mortgage Association and the Student Loan Marketing Association; (ii) federal land banks, federal intermediate credit banks, federal farm credit banks, and any other entity authorized to issue direct debt obligations of the United States of America under the Farm Credit Act of 1971 or amendments to that Act; (iii) federal home loan banks and the Federal Home Loan Mortgage Corporation; and (iv) any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.

4. Interest bearing savings accounts or certificates of deposit, issued by federally chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.

5. Interest bearing savings accounts or certificates of deposit, issued by State of Illinois chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.

6. Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.

7. Interest bearing bonds of the State of Illinois.

8. Pooled interest bearing accounts managed by the Illinois Public Treasurer's Investment Pool in accordance with the Deposit of State Moneys Act, interest bearing funds or pooled accounts of the Illinois Metropolitan Investment Funds, and interest bearing funds or pooled accounts managed, operated, and administered by banks, subsidiaries of banks, or subsidiaries of bank holding companies in accordance with the laws of the State of Illinois.

9. Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.

10. Direct obligations of the State of Israel, subject to the conditions and limitations of item (5.1) of Section 1-113.

11. Money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies; provided that the portfolio of the money market mutual fund is limited to the following:

    (i) bonds, notes, certificates of indebtedness, treasury bills, or other securities that are guaranteed by the full faith and credit of the United States of America as to principal and interest;

    (ii) bonds, notes, debentures, or other similar obligations of the United States of America or its agencies; and

    (iii) short term obligations of corporations organized in the United States with assets exceeding $400,000,000, provided that (A) the obligations mature no later than 180 days from the date of purchase, (B) at the time of purchase, the obligations are rated by at least 2 standard national rating services at one of their 3 highest classifications, and (C) the obligations held by the mutual fund do not exceed 10% of the corporation's outstanding obligations.

12. General accounts of life insurance companies authorized to transact business in Illinois.

13. Any combination of the following, not to exceed 10% of the pension fund's net assets:

    (i) separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stocks, bonds, or money market instruments;

(ii) separate accounts that are managed by insurance companies authorized to transact business in Illinois, and are comprised of real estate or loans upon real estate secured by first or second mortgages; and

(iii) mutual funds that meet the following requirements:

a. the mutual fund is managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;

b. the mutual fund has been in operation for at least 5 years;

c. the mutual fund has total net assets of $250 million or more; and

d. the mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.

14. Corporate bonds managed through an investment advisor must meet all of the following requirements:

(i) The bonds must be rated as investment grade by one of the 2 largest rating services at the time of purchase.

(ii) If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.

Q. ADDITIONAL INVESTMENTS AUTHORIZED FOR POLICE & FIREFIGHTER PENSION FUNDS WITH AT LEAST $2,500,000 BUT LESS THAN $5,000,000 IN NET ASSETS:

As of the date of this Policy, the investments listed below are permitted (40 ILCS 5/1-113.2), in addition to those listed in Article Q above, as the Pension Board has appointed an investment advisor and complies with section 1-113.5 of the Pension Code, and has required level of fund assets.

1. If the Fund has net assets of at less than $2,500,000 the Board may invest a portion of its net assets in the following items:

(i) Mutual funds that meet the following requirements:

a. the mutual fund is managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;

b. the mutual fund has been in operation for at least 5 years;

c. the mutual fund has total net assets of $250 million or more; and

d. the mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.

The Fund's total investment in the items authorized under this Section shall not exceed 10% of the market value of the Fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

2. If the Fund has net assets of more than $2,500,000 but less than $5,000,000, the Board may invest up to 45% in mutual fund securities.

R. ADDITIONAL INVESTMENTS AUTHORIZED FOR POLICE & FIREFIGHTER PENSION FUNDS WITH MORE THAN $5,000,000 IN NET ASSETS:

The investments listed below are permitted (40 ILCS 5/1-113.4), in addition to those listed in Articles Q and R above, if the Pension Board has appointed an investment advisor and complies with section 1-113.5 of the Pension Code.

1. Mutual funds that meet the following requirements:

   a. the mutual fund is managed by an investment company as defined and registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;

   b. the mutual fund has been in operation for at least 5 years

   c. the mutual fund has total net assets of 250 million or more; and

   d. the mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.

2. Common stocks and preferred stocks authorized for investments of trust funds under the laws of the State of Illinois

3. The Stocks must meet all of the below criteria:

   a. The common stocks are listed on a national securities exchange or board of trade or quoted in the National Association of Securities Dealers Automated Quotation System National Market System (NASDAQSNMS).

   b. The securities of a corporation created or existing under the laws of the United States or any state, district or territory thereof, and the corporation has been in existence for at least 5 years.

   c. The corporation has not been in arrears on payment of dividends on its preferred stock during the preceding 5 years.

d. The market value of stock in any one corporation does not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation do not exceed 5% of the total outstanding stock of that corporation.

e. The straight preferred stock or convertible preferred stocks are issued or guaranteed by the corporation whose common stock qualifies for investment by the board.

f. The issuer of the stocks has been subject to the requirements of Section 12 of the Federal Securities Exchange Act of 1934 and has been current with the filing requirements of Sections 13 and 14 of that Act during the preceding 3 years.

g. The pension fund's total investment in the items authorized under this Section and Section 1-113.3 shall not exceed 35% of the market value of the pension fund's net assets stated in its most recent annual report on file with the Illinois Department of Insurance.

h. The Limitation on the investment in common and preferred stocks is in addition to the limits on the investments permitted in separate accounts of insurance companies investing in common and preferred stocks. Thus, the Fund, may invest a total of 45% in common and preferred stocks. However, the limits apply strictly to each class of investment, separate account (10%) and direct equity investments (35%).

The investment manager shall have the power to manage, acquire, or dispose of any asset of the retirement system pension fund and comply with the following requirements:

1. Has acknowledged in writing that the manager is a fiduciary with respect to the pension fund and is at least one of the following:

   a. Registered as an investment advisor under the Federal Investment Advisers Act of 1940, and registered as an investment advisor under the Illinois Securities Law of 1953.

   b. A bank, defined under the Investment Advisor Act of 1940 or a trust company authorized to do business in the State of Illinois, or an insurance company authorized to transact business in this State.

Bonds purchased hereunder shall be registered in the name of the Pension Board or in nominee form.

No bank or savings and loan association shall receive investment funds as permitted by this Section, unless it has complied with the requirements established pursuant to Section 6 of "An Act relating to certain investments of public funds by public agencies", approved July 23, 1943, as now or hereafter amended. The limitations set forth in such investments shall be applicable only at the time of investment and shall not require the liquidation of any investment at any time. (Source P.A. 90-507)

S. ADDITIONAL INVESTMENTS AUTHORIZED FOR POLICE & FIREFIGHTER

PENSION FUNDS WITH MORE THAN $10,000,000 IN NET ASSETS:

In addition to the investments permitted above, if the Fund has net assets of $10,000,000 or more and has appointed an investment adviser under Sections 1-101.4 and 1-113.5, it may (40 ILCS 5/1-113.4a), through that investment adviser, invest an additional portion of its assets in common and preferred stocks and mutual funds that meet all of the requirements outlined above.

These stocks must meet all of the following requirements:

1. The common stocks must be listed on a national securities exchange or board of trade (as defined in the Federal Securities Exchange Act of 1934 and set forth in paragraph G of Section 3 of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.

2. The securities must be of a corporation in existence for at least 5 years.

3. The market value of stock in any one corporation may not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation may not exceed 5% of the total outstanding stock of that corporation.

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

These mutual funds must meet the following requirements:

1. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953.

2. The mutual fund must have been in operation for at least 5 years.

3. The mutual fund must have total net assets of $250,000,000 or more.

4. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.

If the Fund has net assets of $10,000,000 or more, the Fund's total investment in the equity investments shall not exceed 55% of the market value of the Fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

T. EFFECTIVE DATE

This policy was prepared under the authority of the Pension Fund pursuant to law (Pension Code Section 40 ILCS 5/1-113.6). The policy will be effective immediately. A copy of the policy will be distributed to the independent auditor of the Pension Fund as well as the Hoffman Estates Firefighters Pension Board of Trustees and to those who interact for investment purposes with the Fund. Further, this policy shall be reviewed from time to time (no less than annually) and any changes will be presented to the Pension Board for approval and distribution to the above parties.

A copy of this investment policy shall be filed with the Illinois Department of Financial and Professional Regulation's Division of Insurance within thirty days of its adoption or revision. The Pension Board shall make a copy of this Policy available to the public at the main administrative office of the Pension Fund.

Approved by the Board of Trustees of the Hoffman Estates Firefighters Pension Fund this 11th day of JANUARY, 2016.

President, Board of Trustees
Hoffman Estates Firefighters Pension Fund

Attest:

Secretary, Board of Trustees
Hoffman Estates Firefighters Pension Fund

ADDENDUM A

Aggregate Plan Asset Allocation Guidelines (at market value)

Asset Class	***Minimum***	***Maximum***	***Preferred***
Equities*	0%	65%	65%
Fixed Income	35%	100%	35%
Cash and Equivalents	$600,000	$2,000,000	$1,000,000

*At least 10% of equity assets must be in mutual funds as defined in Section Q. 13.

The following shall be used as target indices to form a blended index for the entire fund and to measure the performance of each individual asset class:

Asset Class	***Target Index***	***% in Blend***
Equities		**60%**
Domestic Equities	*Russell 3000*	*35%*
International Equities	*MSCI All Country World Index xUSA*	*20%*
Domestic REIT	*Wilshire US REIT*	*5%*
Fixed Income	**Barclays Intermediate Aggregate**	**40%**

The Board of Trustees may employ managers whose investment disciplines require investment outside the established asset allocation guidelines. However, taken as a component of the aggregate plan, such disciplines must fit within the overall asset allocation guidelines established in this Statement. Such investment managers will receive written direction from the Board of Trustees regarding specific objectives and guidelines.

ADDENDUM B

The HEFPB has retained equity investment managers with complementary investment styles in order to diversify the assets of the fund. Over a market cycle (3-5 years) each manager is expected to meet or exceed the return of the market index appropriate to its style. The managers and their benchmarks are:

Domestic Equity	
Russell 3000 iShare	Russell 3000
Rothschild (Large Value)	Russell 1000 Value
Vanguard Growth Index Signal	Russell 1000 Growth
T Rowe Price Health	S&P 1500 Health Care
Baird Midcap Institutional	Russell Mid Cap Growth
Vanguard Explorer Admiral Shares	Russell 2000 Growth
Adelante Total Return Strategy	Wilshire US REIT
Diamond Hill Small-Mid Cap	Russell Mid Cap Value
International Equity	
Oakmark International	MSCI ACWI ex USA
Oppenheimer Developing Markets	MSCI EM
Artisan Intl Value Fund	MSCI ACWI ex USA
Oppenheimer International Small Co	MSCI World Ex USA SMID
Fixed Income	
Wm. Blair Aggregate Bond	Barclays Aggregate
Mitchell Vaught & Taylor High Quality Bond	(90%) Barclays Intermediate Govt, (10%) Barclays Corporate A+ 1-5 Year