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October 25, 2015

Mayor William D. McLeod
1900 Hassell Road
Hoffman Estates, IL 60169

BY ELECTRONIC MAIL
Bill.mcleod@hoffmanestates.org

Re: Hoffman Estates Firefighters' Pension Fund – 2016 Tax Levy Certification

Mayor McLeod:

The undersigned is legal counsel for the Hoffman Estates Firefighters' Pension Board. Section 4-134 of the Pension Code requires the Pension Board to annually certify the amount necessary for the municipality to meet its required contribution to the firefighters' pension fund pursuant to section 4-118(a) of the Pension Code.

Pursuant to the most recent actuarial valuation report issued by Jason L. Franken of Foster & Foster, the municipality's contribution for the Hoffman Estates Firefighters' Pension Fund for the upcoming tax year should be **$4,608,883**. Enclosed for your review is a copy of Mr. Franken's actuarial valuation report. Please notify the firefighters' pension board or me if the municipality will not be contributing the certified amount.

In accordance with section 4-134 of the Pension Code, the Pension Board's accountant has prepared the Pension Board's annual report to the municipality (Municipal Compliance Report). That report along with a copy of the Fund's investment policy statement are also enclosed.

As always, please contact the firefighters' pension board or me if you have any questions regarding this matter.

Sincerely,

Laura J. Goodloe

Enclosure
cc: Robert Orr, President
Hoffman Estates Firefighters' Pension Board (by email ~ w/enclosure)
Rachel Musiala, Village Finance Director (by email ~ w/enclosure)

VILLAGE OF HOFFMAN ESTATES
FIREFIGHTERS' PENSION FUND

ACTUARIAL VALUATION
AS OF JANUARY 1, 2016

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED DECEMBER 31, 2016

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

October 7, 2016

Board of Trustees
Village of Hoffman Estates
Firefighters' Pension Fund
1900 Hassell Road
Hoffman Estates, IL 60169

Re: Village of Hoffman Estates Firefighters' Pension Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the Village of Hoffman Estates Firefighters' Pension Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Please note that this valuation may not be applicable for any other purposes.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Article 4, Illinois Pension Code, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the Village of Hoffman Estates, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the Village of Hoffman Estates Firefighters' Pension Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

One Oakbrook Terrace, Suite 720 Oakbrook Terrace, IL 60181 · (630) 620-0200 · Fax (239) 481-0634 · www.foster-foster.com

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 630-620-0200.

Respectfully submitted,

Foster & Foster, Inc.

By: ______________________________

Jason L. Franken
Enrolled Actuary #14-6888

JLF/lke
Enclosures

TABLE OF CONTENTS

SUMMARY OF REPORT

The regular annual actuarial valuation of the Village of Hoffman Estates Firefighters' Pension Fund, performed as of January 1, 2016, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended December 31, 2016.

The contribution requirements, compared with those set forth in the January 1, 2015 actuarial report are as follows:

Valuation Date	1/1/2016	1/1/2015
Applicable to Fiscal Year Ending	12/31/2016	12/31/2015
Total Required Contribution	$ 5,485,752	$ 4,770,016
% of Projected Annual Payroll	59.2%	52.9%
Member Contributions (Est)	876,869	852,399
% of Projected Annual Payroll	9.455%	9.455%
Expected Village Contribution	4,608,883	3,917,617
% of Projected Annual Payroll	49.7%	43.4%

As you can see, the Total Required Contribution increased as a percentage of payroll since the January 1, 2015 actuarial valuation report. This is primarily the result of the assumptions changes implemented as of January 1, 2016, including projecting mortality to the valuation date and reducing the payroll growth assumption to 4.00%.

Overall, the plan experience was positive, including salary increases that were more than 3.00% less than the assumed increases and less active retirements than expected. This was partially offset by investment return of 5.95% (Actuarial Asset basis) which fell short of the 6.75% expected increase in assets and lower than expected disabled mortality. Despite the overall plan gain, the contribution requirement went up slightly as a percentage of pay, primarily due to the contribution falling short of the recommended contribution for the 2015 plan year.

This report uses actuarial assumptions and methods determined based on our discussion with the Board. We will continue to monitor the assumptions each year to determine if any changes need to be made to ensure that we are using best estimate assumptions.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: Jason L. Franken

Jason L. Franken, FSA, EA, MAAA

By: Heidi Andorfer

Heidi E. Andorfer, FSA, EA

Plan Changes Since Prior Valuation

There have been no Plan changes since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

There were no method changes since the prior valuation.

Since the prior valuation the following assumptions have been updated:

- The healthy mortality table has been updated from the RP-2000 Combined Healthy table with a blue collar adjustment and no projection to the RP-2000 Combined Healthy table with a blue collar adjustment, projected to the valuation date using Scale BB.

- The disabled mortality table has been updated from the RP-2000 Disabled table with no projection to the RP-2000 Disabled table, projected to the valuation date using Scale BB.

- The Payroll Growth assumptions has been reduced from 4.50% to 4.00%.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assump 1/1/2016	Old Assump 1/1/2016	1/1/2015
A. Participant Data			
Number Included			
Actives	97	97	96
Service Retirees	38	38	39
Beneficiaries	9	9	10
Disability Retirees	16	16	16
Terminated Vested	0	0	0
Total	160	160	161
Total Annual Payroll	$9,274,130	$9,274,130	$9,015,322
Payroll Under Assumed Ret. Age	9,274,130	9,274,130	9,015,322
Annual Rate of Payments to:			
Service Retirees	2,588,088	2,588,088	2,604,435
Beneficiaries	314,526	314,526	248,815
Disability Retirees	937,574	937,574	925,492
Terminated Vested	0	0	0
B. Assets			
Actuarial Value	73,104,337	73,104,337	69,413,462
Market Value	70,999,525	70,999,525	71,215,545
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	73,490,768	71,084,767	63,627,418
Disability Benefits	8,753,908	8,474,156	7,965,709
Death Benefits	1,467,261	1,542,902	1,519,467
Vested Benefits	2,049,793	1,995,706	1,907,288
Service Retirees	39,139,446	37,219,641	40,532,206
Beneficiaries	3,185,490	3,070,290	2,396,695
Disability Retirees	12,567,688	11,964,696	12,854,563
Terminated Vested	0	0	0
Total	140,654,354	135,352,158	130,803,346

C. Liabilities - (Continued)	New Assump 1/1/2016	Old Assump 1/1/2016	1/1/2015
Present Value of Future Salaries	90,661,751	90,594,891	92,041,395
Present Value of Future Member Contributions	8,572,069	8,565,747	8,702,514
Normal Cost (Retirement)	2,223,571	2,153,739	1,978,801
Normal Cost (Disability)	486,612	475,170	448,515
Normal Cost (Death)	86,486	90,378	88,693
Normal Cost (Vesting)	117,107	114,267	110,256
Total Normal Cost	2,913,776	2,833,554	2,626,265
Present Value of Future Normal Costs	27,181,427	26,415,360	25,794,364
Accrued Liability (Retirement)	52,659,702	50,920,282	44,078,628
Accrued Liability (Disability)	4,067,499	3,900,868	3,421,030
Accrued Liability (Death)	658,287	698,182	647,341
Accrued Liability (Vesting)	1,194,815	1,162,839	1,078,519
Accrued Liability (Inactives)	54,892,624	52,254,627	55,783,464
Total Actuarial Accrued Liability	113,472,927	108,936,798	105,008,982
Unfunded Actuarial Accrued Liability (UAAL)	40,368,590	35,832,461	35,595,520
Funded Ratio (AVA / AL)	64.42%	67.11%	66.10%

D. Actuarial Present Value of Accrued Benefits

	New Assump 1/1/2016	Old Assump 1/1/2016	1/1/2015
Vested Accrued Benefits			
Inactives	54,892,624	52,254,627	55,783,464
Actives	27,863,701	26,688,792	22,070,088
Member Contributions	9,719,170	9,719,170	8,858,741
Total	92,475,495	88,662,589	86,712,293
Non-vested Accrued Benefits	566,586	584,669	352,782
Total Present Value Accrued Benefits	93,042,081	89,247,258	87,065,075
Funded Ratio (MVA / PVAB)	76.31%	79.55%	81.80%
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	0	
Assumption Changes	3,794,823	0	
New Accrued Benefits	0	270,117	
Benefits Paid	0	(3,835,382)	
Interest	0	5,747,448	
Other	0	0	
Total	3,794,823	2,182,183	

	New Assump	Old Assump	
Valuation Date	1/1/2016	1/1/2016	1/1/2015
Applicable to Fiscal Year Ending	12/31/2016	12/31/2016	12/31/2015
E. Pension Cost			
Normal Cost (with interest)	$3,110,456	$3,024,819	$2,803,538
% of Total Annual Payroll [1]	33.6	32.6	31.1
Administrative Expenses (with interest)	58,852	58,852	83,237
% of Total Annual Payroll [1]	0.6	0.6	0.9
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 25 years (as of 1/1/2016, with interest)	2,316,444	1,952,592	1,883,241
% of Total Annual Payroll [1]	25.0	21.1	20.9
Total Required Contribution	5,485,752	5,036,263	4,770,016
% of Total Annual Payroll [1]	59.2	54.3	52.9
Expected Member Contributions	876,869	876,869	852,399
% of Total Annual Payroll [1]	9.5	9.5	9.5
Expected Village Contribution	4,608,883	4,159,394	3,917,617
% of Total Annual Payroll [1]	49.7	44.8	43.4
F. Past Contributions			
Plan Years Ending:	12/31/2015		
Total Required Contribution	4,781,477		
Village Requirement	3,917,617		
Actual Contributions Made:			
Members (excluding buyback)	863,860		
Village	2,597,016		
Total	3,460,876		
G. Net Actuarial (Gain)/Loss	(1,455,299)		

[1] Contributions developed as of 1/1/2016 are expressed as a percentage of total annual payroll at 1/1/2016 of $9,274,130.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

Year	Projected Unfunded Accrued Liability
2016	40,368,590
2017	40,777,026
2018	41,120,373
2024	41,308,295
2030	36,401,464
2035	25,723,731
2041	0

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

		Actual	Assumed
Year Ended	12/31/2015	2.18%	5.42%
Year Ended	12/31/2014	5.46%	5.23%
Year Ended	12/31/2013	4.06%	5.22%

(ii) 3 Year Comparison of Investment Return on Actuarial Value

		Actual	Assumed
Year Ended	12/31/2015	5.95%	6.75%
Year Ended	12/31/2014	7.46%	6.75%
Year Ended	12/31/2013	7.36%	6.75%

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of the Illinois Pension Code and adhere to the Actuarial Standards of Practice. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.

Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #14-6888

DEVELOPMENT OF JANUARY 1, 2016 AMORTIZATION PAYMENT

(1)	Unfunded Actuarial Accrued Liability as of January 1, 2015	$35,595,520
(2)	Sponsor Normal Cost developed as of January 1, 2015	1,773,866
(3)	Expected administrative expenses for the year ended December 31, 2015	77,974
(4)	Expected interest on (1), (2) and (3)	2,525,065
(5)	Sponsor contributions to the System during the year ended December 31, 2015	2,597,016
(6)	Expected interest on (5)	87,649
(7)	Expected Unfunded Actuarial Accrued Liability as of December 31, 2015, (1)+(2)+(3)+(4)-(5)-(6)	37,287,760
(8)	Change to UAAL due to Assumption Change	4,536,129
(9)	Change to UAAL due to Actuarial (Gain)/Loss	(1,455,299)
(10)	Unfunded Accrued Liability as of January 1, 2016	40,368,590

Date Established	Years Remaining	1/1/2016 Amount	Amortization Amount
1/1/2016	25	40,368,590	2,169,971

PROJECTION OF BENEFIT PAYMENTS

Year	Payments for Current Actives	Payments for Current Inactives	Total Payments
2016	371,678	3,800,883	4,172,561
2017	732,152	3,863,843	4,595,995
2018	1,097,658	3,925,185	5,022,843
2019	1,474,959	3,991,650	5,466,609
2020	1,871,555	4,048,789	5,920,344
2021	2,271,369	4,101,779	6,373,148
2022	2,687,319	4,164,567	6,851,886
2023	3,147,471	4,208,978	7,356,449
2024	3,568,010	4,247,068	7,815,078
2025	3,994,311	4,278,165	8,272,476
2026	4,492,157	4,330,492	8,822,649
2027	5,012,786	4,360,031	9,372,817
2028	5,550,203	4,386,230	9,936,433
2029	6,069,270	4,385,159	10,454,429
2030	6,617,190	4,372,784	10,989,974
2031	7,195,030	4,348,049	11,543,079
2032	7,810,776	4,310,108	12,120,884
2033	8,402,020	4,258,193	12,660,213
2034	8,949,614	4,191,762	13,141,376
2035	9,477,305	4,110,395	13,587,700
2036	10,037,750	4,013,895	14,051,645
2037	10,556,114	3,902,192	14,458,306
2038	11,009,339	3,775,379	14,784,718
2039	11,423,088	3,633,818	15,056,906
2040	11,837,977	3,478,110	15,316,087
2041	12,215,288	3,309,148	15,524,436
2042	12,564,703	3,128,050	15,692,753
2043	12,868,096	2,936,156	15,804,252
2044	13,131,794	2,734,982	15,866,776
2045	13,349,573	2,526,719	15,876,292
2046	13,553,640	2,313,876	15,867,516
2047	13,706,866	2,099,285	15,806,151
2048	13,815,680	1,886,071	15,701,751
2049	13,888,354	1,677,461	15,565,815
2050	13,922,666	1,476,386	15,399,052
2051	13,918,206	1,285,828	15,204,034
2052	13,872,097	1,108,648	14,980,745
2053	13,783,169	946,581	14,729,750
2054	13,650,420	800,764	14,451,184
2055	13,473,031	671,764	14,144,795

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate	RP-2000 Combined Healthy Mortality with a blue collar adjustment, projected to the valuation date with Scale BB.
Disabled Mortality Rate	RP-2000 Disabled Retiree Mortality, projected to the valuation date with Scale BB. Based on studies of public safety pension plans, we believe this assumption sufficiently accommodates expected future mortality improvements.
Interest Rate	6.75% per year compounded annually, net of investment related expenses. We will continue to monitor this assumption against future asset allocation and expected future returns by asset class.
Retirement Age	See table below. This is based on an experience study performed in 2012.
Disability Rate	See table below. 90% of the disabilities are assumed to be in the line of duty. This is based on an experience study performed in 2012.
Termination Rate	See table below. This is based on an experience study performed in 2012.
Salary Increases	Graded schedule based on service.

Service	Increase
0	12.00%
1	11.00%
2	10.00%
3	8.50%
4	7.50%
5	6.50%
6 - 25	5.00%
26 - 29	4.50%
30	4.00%

This is based on an experience study performed in 2012.

Payroll Growth	4.00% per year.
Cost-of-Living Adjustment	Tier 1: 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55. Tier 2: 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.

Administrative Expenses	Expenses paid out of the fund, other than investment-related expenses, are assumed to be equal to those paid in the previous year.
Marital Status	80% of Members are assumed to be married.
Spouse's Age	Males are assumed to be three years older than females.

% Becoming Disabled During the Year		% Terminating During the Year		% Retiring During the Year	
Age	Rate	Age	Rate	Age	Rate
20	0.10%	20	9.00%	50 - 53	14.0%
25	0.10%	25	5.00%	54 - 59	20.0%
30	0.20%	30	2.50%	60 - 62	25.0%
35	0.35%	35	2.00%	63 - 64	33.0%
40	0.50%	40	1.00%	65 - 69	50.0%
45	0.65%	45	1.00%	70	100.0%
50	1.00%	50	1.00%		
55	1.50%	55	1.00%		
60	3.00%	60	1.00%		
65	4.25%	65	1.00%		

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

Investment gains and losses are smoothed over a 5-year period.

Amortization Method

100% of the UAAL is amortized according to a Level Percentage of Payroll method over a period ending on December 31, 2040.

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year following the valuation date of all covered members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Accrued Liability is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability over a period ending on December 31, 2040. The required amount is adjusted for interest according to the timing of contributions during the year.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

(a) The normal cost accrual rate equals:

(i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by

(ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.

(b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.

(c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value, at the participant's attained age, of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.

(d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

STATEMENT OF FIDUCIARY NET POSITION
December 31, 2015

ASSETS	MARKET VALUE
Cash and Cash Equivalents:	
IL Public Treasurers' Inv Pool (IPTIP)	1,412,554
Checking Account	11,000
Money Market	1,833,024
Total Cash and Equivalents	3,256,578
Receivables:	
From Village	24,088
Prepaid Expenses	795
Accrued Past Due Interest	149,675
Total Receivable	174,558
Investments:	
U.S. Gov't and Agency Obligations	17,577,458
Equity Securities	12,007,379
State, Local and Corporate Obligations	9,542,221
Mutual Funds	28,465,806
Total Investments	67,592,864
Total Assets	71,024,000
LIABILITIES	
Liabilities:	
Payable:	
Expenses	24,475
Total Liabilities	24,475
Net Assets:	
Active and Retired Members' Equity	70,999,525
NET POSITION RESTRICTED FOR PENSIONS	70,999,525
TOTAL LIABILITIES AND NET ASSETS	71,024,000

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED December 31, 2015
Market Value Basis

ADDITIONS		
Contributions:		
Member	863,860	
Village	2,597,016	
Total Contributions		3,460,876
Investment Income:		
Miscellaneous Income	49	
Net Realized Gain (Loss)	(813,556)	
Unrealized Gain (Loss)	(1,231,392)	
Net Increase in Fair Value of Investments		(2,044,899)
Interest & Dividends		2,508,197
Less Investment Expense [1]		(235,409)
Net Investment Income		227,889
Total Additions		3,688,765
DEDUCTIONS		
Distributions to Members:		
Benefit Payments	3,832,225	
Refund of Contributions/Transfers	3,157	
Total Distributions		3,835,382
Administrative Expenses		55,131
Total Deductions		3,890,513
Net Increase in Net Position		(201,748)
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year	71,215,545	
Asset Adjustment	(14,272)	
Adjusted Beginning of the Year		71,201,273
End of the Year		70,999,525

[1] Investment Related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION
December 31, 2015

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of the Market Value of Assets.

Gains/(Losses) Not Yet Recognized

Plan Year		Amounts Not Yet Recognized by Valuation Year				
Ending	Gain/(Loss)	2016	2017	2018	2019	2020
12/31/2012	1,254,813	250,963	0	0	0	0
12/31/2013	4,708,998	1,883,599	941,800	0	0	0
12/31/2014	(980,693)	(588,416)	(392,277)	(196,139)	0	0
12/31/2015	(4,563,697)	(3,650,958)	(2,738,218)	(1,825,479)	(912,739)	0
Total		(2,104,812)	(2,188,695)	(2,021,618)	(912,739)	0

Development of Investment Gain/Loss

Market Value of Assets, 4/30/2015	71,201,273
Contributions Less Benefit Payments & Administrative Expenses	(429,637)
Expected Investment Earnings[1]	4,791,586
Actual Net Investment Earnings	227,889
2016 Actuarial Investment Gain/(Loss)	(4,563,697)

[1] Expected Investment Earnings = 6.75% x (71,201,273 + 0.5 x -429,637)

Development of Actuarial Value of Assets

Market Value of Assets, 12/31/2015	70,999,525
(Gains)/Losses Not Yet Recognized	2,104,812
Actuarial Value of Assets, 12/31/2015	73,104,337
(A) 12/31/2014 Actuarial Assets:	69,413,462
(I) Net Investment Income:	
1. Interest and Dividends	2,508,246
2. Realized Gains (Losses)	(813,556)
3. Change in Actuarial Value	2,661,231
4. Investment Expenses	(235,409)
Total	4,120,512
(B) 12/31/2015 Actuarial Assets:	73,104,337
Actuarial Asset Rate of Return = (2 x I) / (A + B - I):	5.95%
Market Value of Assets Rate of Return:	0.32%
12/31/2015 Limited Actuarial Assets:	73,104,337
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)	(550,396)

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2015
Actuarial Asset Basis

INCOME		
Contributions:		
Member	863,860	
Village	2,597,016	
Total Contributions		3,460,876
Earnings from Investments		
Interest & Dividends	2,508,197	
Miscellaneous Income	49	
Net Realized Gain (Loss)	(813,556)	
Change in Actuarial Value	2,661,231	
Total Earnings and Investment Gains		4,355,921
EXPENSES		
Administrative Expenses:		
Investment Related [1]	235,409	
Other	55,131	
Total Administrative Expenses		290,540
Distributions to Members:		
Benefit Payments	3,832,225	
Refund of Contributions/Transfers	3,157	
Total Distributions		3,835,382
Change in Net Assets for the Year		3,690,875
Net Assets Beginning of the Year		69,413,462
Net Assets End of the Year [2]		73,104,337

[1] Investment Related expenses include investment advisory, custodial and performance monitoring fees.
[2] Net Assets may be limited for actuarial consideration.

STATISTICAL DATA [1]

	1/1/2013	1/1/2014	1/1/2015	1/1/2016
Actives - Tier 1				
Number	N/A	89	85	85
Average Current Age	N/A	43.8	44.4	45.4
Average Age at Employment	N/A	27.5	27.4	27.4
Average Past Service	N/A	16.3	17.0	18.0
Average Annual Salary	N/A	$93,004	$97,986	$99,682
Actives - Tier 2				
Number	N/A	4	11	12
Average Current Age	N/A	32.9	30.2	31.4
Average Age at Employment	N/A	32.9	29.8	30.2
Average Past Service	N/A	0.0	0.4	1.2
Average Annual Salary	N/A	$57,925	$62,407	$66,763
Service Retirees				
Number	41	38	39	38
Average Current Age	N/A	63.8	64.6	65.6
Average Annual Benefit	N/A	$63,781	$66,780	$68,108
Beneficiaries				
Number	5	6	10	9
Average Current Age	N/A	68.8	48.7	57.9
Average Annual Benefit	N/A	$41,309	$24,882	$34,947
Disability Retirees				
Number	8	13	16	16
Average Current Age	N/A	61.5	60.6	61.6
Average Annual Benefit	N/A	$56,369	$57,843	$58,598
Terminated Vested				
Number	0	0	0	0
Average Current Age	N/A	N/A	N/A	0.0
Average Annual Benefit	N/A	N/A	N/A	N/A

[1] Foster & Foster does not have enough historical data to include complete data prior to 1/1/2014. We will add historical data going forward.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	1	0	0	0	0	0	0	0	0	0	0	1
25 - 29	0	3	1	0	0	0	0	0	0	0	0	4
30 - 34	0	3	0	0	0	5	1	0	0	0	0	9
35 - 39	1	0	2	0	0	7	7	1	0	0	0	18
40 - 44	0	0	1	0	0	2	11	6	0	0	0	20
45 - 49	0	0	0	0	0	1	4	5	5	1	0	16
50 - 54	0	0	0	0	0	0	0	4	5	10	0	19
55 - 59	0	0	0	0	0	0	0	0	0	4	4	8
60 - 64	0	0	0	0	0	0	0	0	0	0	2	2
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	2	6	4	0	0	15	23	16	10	15	6	97

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 1/1/2015	96
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	(1)
iii. Transferred service to other fund	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	0
f. Continuing participants	95
g. New entrants	2
h. Total active life participants in valuation	97

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving Benefits	Receiving Death Benefits	Receiving Disability Benefits	Vested Deferred	Total
a. Number prior valuation	39	10	16	0	65
Retired	0	0	0	0	0
Vested Deferred	0	0	0	0	0
Death, With Survivor	(1)	1	0	0	0
Death, No Survivor	0	0	0	0	0
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Expired Annuities	0	(2)	0	0	(2)
Data Corrections	0	0	0	0	0
Hired/Termed in Same Year	0	0	0	0	0
b. Number current valuation	38	9	16	0	63

SUMMARY OF CURRENT PLAN

Article 4 Pension Fund	The Plan is established and administered as prescribed by "Article 4. Firefighters' Pension Fund – Municipalities 500,000 and Under" of the Illinois Pension Code.
Credited Service	Years and fractional parts of years of service as a sworn Firefighter employed by the Village.
Salary	Annual salary, including longevity, attached to firefighter's rank, as established by the municipality appropriation ordinance, excluding overtime pay, bonus pay and holiday pay except for the base 8 hours of the 10 pensionable holidays which is included.
Normal Retirement	
Date	**Tier 1**: Age 50 and 20 years of Credited Service. **Tier 2:** Age 55 with 10 years of service.
Benefit	**Tier 1**: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is $1,159.27 per month. **Tier 2**: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.
Form of Benefit	**Tier 1:** For married retirees, an annuity payable for the life of the Member; upon the death of the member, 100% of the Member's benefit payable to the spouse until death. For unmarried retirees, the normal form is a Single Life Annuity. **Tier 2**: Same as above, but with 66 2/3% of benefit continued to spouse.

Cost-of-Living Adjustment

Tier 1:
Retirees: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.

Disabled Retirees: An annual increase equal to 3.00% per year of the original benefit amount beginning at age 60. Those that become disabled prior to age 60 receive an increase of 3.00% of the original benefit amount for each year since benefit commencement upon reaching age 60.

Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension start date whichever is later.

Disability Benefit

Eligibility

Total and permanent as determined by the Board of Trustees. Seven years of service required for non-service connected disability.

Benefit Amount

A maximum of:

a.) 65% of salary attached to the rank held by Member on last day of service, and;
b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately.

For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

Pre-Retirement Death Benefit

Service Incurred

100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred

A maximum of:
a.) 54% of salary attached to the rank held by Member on last day of service, and;
b.) The monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

Contributions

Employee	9.455% of Salary.
Village	Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability by December 31, 2040.

Vesting (Termination)

Less than 10 years	Refund of Member Contributions.
10 or more years	Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions.

The termination benefit is based on the monthly salary attached to the Member's rank at separation from service. The following schedule applies:

Service	% of Salary
10	15.0%
11	17.6%
12	20.4%
13	23.4%
14	26.6%
15	30.0%
16	33.6%
17	37.4%
18	41.4%
19	45.6%

Board of Trustees

The Board consists of two members appointed by the Village, two active Members of the Fire Department elected by the Membership and one retired Member of the Fire Department elected by the Membership.

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
FIREFIGHTERS' PENSION FUND

HOUSE BILL 5088 - MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2015

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
FIREFIGHTERS' PENSION FUND

House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2015

The Pension Board certifies to the Board of Trustees of the Village of Hoffman Estates, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

1) The total cash and investments of the fund and their current market value of those assets:

	Current Fiscal Year	Preceding Fiscal Year
Total Cash and Investments	$ 70,999,525	$ 71,224,661
Total Net Position	$ 70,999,117	$ 71,215,546

2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of firefighters and from other sources:

Estimated Receipts - Employee Contributions	$ 898,400
Estimated Receipts - All Other Sources	
Investment Earnings	$ 4,792,500
Municipal Contributions	$ 4,608,883

3) The estimated amount necessary during the fiscal year to meet the annual actuarial requirements of the pension fund as provided in Sections 4-118 and 4-120:

Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	$ 3,465,398
Private Actuary - Foster & Foster	
Recommended Municipal Contribution	$ 4,608,883
Statutory Municipal Contribution	$ N/A

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
FIREFIGHTERS' PENSION FUND

House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2015

4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	Current Fiscal Year	Preceding Fiscal Year
Net Income Received from Investment of Assets	$ 213,616	$ 3,594,816
Assumed Investment Return		
Illinois Department of Insurance	6.75%	6.75%
Private Actuary - Foster & Foster	6.75%	6.75%
Actual Investment Return	0.30%	5.30%

5) The increase in employer pension contributions that results from the implementation of the provisions of P.A. 93-0689:

Illinois Department of Insurance - Actuarial Report	$ N/A
Private Actuary - Foster & Foster	$ N/A

6) The total number of active employees who are financially contributing to the fund:

Number of Active Members	97

7) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	Number of	Total Amount Disbursed
(i) Regular Retirement Pension	38	$ 2,591,858
(ii) Disability Pension	16	$ 938,255
(iii) Survivors and Child Benefits	7	$ 302,113
Totals	61	$ 3,832,225

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
FIREFIGHTERS' PENSION FUND

House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2015

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8) The funded ratio of the fund:

	Current Fiscal Year	Preceding Fiscal Year
Illinois Department of Insurance	67.43%	66.15%
Private Actuary - Foster & Foster	64.42%	66.10%

9) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	$ 35,375,399
Private Actuary - Foster & Foster	$ 40,368,590

The accrued liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

10) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL FIREFIGHTERS' PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §4-134 of the Illinois Pension Code 40 ILCS 5/4-134, that the preceding report is true and accurate.

Adopted this 10th day of October, 2016

President ______________________ Date 10-10-16

Secretary ______________________ Date 10-10-16

VILLAGE OF HOFFMAN ESTATES, ILLINOIS
FIREFIGHTERS' PENSION FUND

House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2015

INDEX OF ASSUMPTIONS

1) Total Cash and Investments - as Reported in the Audited Financial Statements for the Years Ended December 31, 2015 and 2014.

   Total Net Position - as Reported at Market Value in the Audited Financial Statements for the Years Ended December 31, 2015 and 2014.

2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended December 31, 2015 plus 4% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest $100.

   Estimated Receipts - All Other Sources

   Investment Earnings - Cash and Investments as Reported in the Audited Financial Statements for the Year Ended December 31, 2015, times 6.75% (Actuarial Investment Return Assumption) Rounded to the Nearest $100.

   Municipal Contributions - Recommended Tax Levy Requirement as Reported by Foster & Foster, Actuarial Valuation for the Year Ended December 31, 2015.

3) Annual Requirement of the Fund as Determined by:

   Illinois Department of Insurance - Suggested Amount of Tax Levy as Reported in the December 31, 2015 Actuarial Valuation.

   Private Actuary

   Recommended Amount of Tax Levy as Reported by Foster & Foster in the December 31, 2015 Actuarial Valuation.

   Statutorily Required Amount of Tax Levy - No statutorily required amount has been provided in a December 31, 2015 Private Actuarial Valuation, at the time of this report.

INDEX OF ASSUMPTIONS - Continued

4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended December 31, 2015 and 2014.

   Assumed Investment Return

      Illinois Department of Insurance - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the December 31, 2015 and 2014 Actuarial Valuations.

      Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Foster & Foster, December 31, 2015 and 2014 Actuarial Valuations.

   Actual Investment Return -Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning and Ending Balances of the Fiscal Year Cash Investments, Excluding Net Investment Income, Gains, and Losses for the Fiscal Year Return Being calculated, as Reported in the Audited Financial Statements for the Fiscal Years Ended December 31, 2015, 2014 and 2013.

5) Illinois Department of Insurance - Amount of total suggested tax levy to be excluded from the property tax extension limitation law as contemplated by 35 ILCS 200/18-185.

   Private Actuary - No Private Actuarial Valuation amount available at the time of this report.

6) Number of Active Members - Illinois Department of Insurance Annual Statement for December 31, 2015 - Schedule P.

7) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for December 31, 2015 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.

   (ii) Disability Pension - Same as above.

   (iii) Survivors and Child Benefits - Same as above.

INDEX OF ASSUMPTIONS - Continued

8) The funded ratio of the fund:

Illinois Department of Insurance - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the December 31, 2015 and 2014 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the Foster & Foster, December 31, 2015 and December 31, 2014 Actuarial Valuations.

9) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) as Reported in the December 31, 2015 Actuarial Valuation.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Foster & Foster in the December 31, 2015 Actuarial Valuation.

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