

**HOFFMAN ESTATES FIREFIGHTERS PENSION FUND**

**ANNUAL PENSION FUND REPORT  
AS OF OCTOBER 31, 2014**

	Audited FY2013	Estimated FY2014	Projected FY2015
1. Total Fund Assets			
Cash Balance	1,000	1,000	N/A
Investments	61,076,920	63,688,353	N/A
Unrealized Gains/(Losses)	6,728,705	6,728,705 <sup>(2)</sup>	N/A
Accrued Interest Receivable	139,802	181,782	N/A
Dividend Receivable	7,397	-	N/A
Due from General Fund	-	1,156	N/A
Total Assets	<u>\$ 67,953,824</u>	<u>\$ 70,600,997 <sup>(3)</sup></u>	<u>N/A</u>
2. Current Market Value of Assets	\$ 67,953,824	\$ 70,600,997 <sup>(2) (3)</sup>	N/A
	See Attachment A for details of investments		
3. Receipts from employee contributions	833,245	824,230	874,160
4. Estimated money needed to cover:			
a) pension payments	3,273,423	3,609,970	3,831,810
b) employer contributions	2,896,113	2,539,750	3,696,689
c) debt reserves	-	-	-
5., 8. Total net income from investment of assets	8,720,378	2,980,207 <sup>(1)</sup>	N/A
6., 9. Total assumed investment return	7.50%	7.50%	6.75%
7., 10. Actual investment return	7.36%	3.30%	N/A
11. Total number of active employees making contributions to the fund	93	96	N/A
12. Total amount of money disbursed in benefits	3,273,423	3,609,970	N/A
13. Total number of annuitants receiving retirement pension	38	39	N/A
14. Total number of annuitants receiving disability pension	14	15	N/A
15. Total number of survivors and children receiving benefits	5	6	N/A
16. Funded ratio of pension fund	66.50%	N/A	N/A
17. Total unfunded liability and actuarial explanation of unfunded liability	32,688,798	N/A	N/A
	See Attachment B for explanation		
18. Investment policy of the pension board as defined by State statute	See Attachment C for current Investment Policy		

**NOTES:**

<sup>(1)</sup> FY2014 does not include unrealized gains or losses.

<sup>(2)</sup> Unrealized gains and losses are subject to significant volatility and can therefore be misleading. Market value adjustments are made at year end.

<sup>(3)</sup> FY2014 numbers are as of 10/31/14 for Total Assets and Current Market Value.

**STATEMENT OF INVESTMENTS-FIRE PENSION FUND**  
**As of December 31, 2013**

Attachment A

Investment	Investment Date	Maturity Date	Book Value	Market Value	Maturity Value	Rate of Interest
Illinois Funds	09/30/86		508,263.30	508,263.30		0.017
<b>Charles Schwab - Mutual Funds</b>						
Mutual Funds	Various		31,198,478.29	37,323,533.35		
Money Market	12/01/12		150,210.22	150,210.22		
Total Charles Schwab Mid Cap			31,348,688.51	37,473,743.57		
<b>Charles Schwab - Adelante Capital Management</b>						
Real Estate	Various		1,674,902.28	1,627,786.35		
Money Market	12/01/12		46,195.24	46,195.24		
Total Adelante Capital Management			1,721,097.52	1,673,981.59		
<b>Charles Schwab - Rothschild Asset Management</b>						
Equities	Various		4,102,412.47	5,182,505.86		
Money Market	12/01/12		145,926.90	145,926.90		
Total Rothschild Asset Management			4,248,339.37	5,328,432.76		
<b>Charles Schwab-Fixed Income</b>						
Money Market	12/01/12		192,321.08	192,321.08		
Treasury Note, 3.25%	01/29/10	12/31/16	403,251.60	429,000.00	400,000.00	3.00
Treasury Stripped	06/25/09	02/15/14	438,937.40	489,961.78	490,000.00	0.00
Treasury Stripped	05/15/13	11/15/18	380,050.00	367,593.60	400,000.00	0.00
Treasury Bond, 9.125%	05/08/07	05/15/18	286,024.54	271,817.29	205,000.00	6.90
Treasury Note, 1.625%	09/12/13	11/15/22	180,182.68	180,187.60	200,000.00	1.80
Treasury Note, 1.875%	11/08/10	10/31/17	262,672.13	266,459.44	260,000.00	1.80
Treasury Note, 3.375%	12/18/09	11/15/19	442,055.32	483,609.60	450,000.00	3.10
Treasury Note, 4.0%	10/16/08	08/15/18	409,845.35	443,500.00	400,000.00	3.60
Treasury Note, 1.875%	07/16/10	06/30/15	638,095.71	645,257.97	630,000.00	1.80
Treasury Note, 2.125%	10/20/11	08/15/21	299,028.54	290,156.40	300,000.00	2.20
Treasury Note, 2.375%	09/14/09	08/31/14	301,829.13	304,406.40	300,000.00	2.30
Treasury Note, 2.625%	09/15/10	08/15/20	447,470.55	458,648.55	450,000.00	2.60
FHLMC MTN, 3.75%	02/09/12	03/27/19	286,154.50	271,735.50	250,000.00	3.50
FHLMC MTN, 4.75%	05/14/07	11/17/15	440,150.82	454,078.38	420,000.00	4.40
FHLB DEB, 4.75%	05/15/07	12/16/16	176,194.44	200,756.70	180,000.00	4.30
FNMA MTN, 5.00%	03/16/10	03/15/16	442,048.40	439,457.60	400,000.00	4.60
FNMA MTN, 3.05%	09/28/10	09/28/20	245,490.00	249,855.41	245,000.00	3.00
FNMA 1.375%	07/26/13	11/15/16	203,422.80	203,344.00	200,000.00	1.40
FNMA MTN, 2.375%	03/06/12	07/28/15	201,155.85	196,021.86	190,000.00	2.30
FNMA MTN, 2.625%	03/18/10	11/20/14	452,006.55	459,774.45	450,000.00	2.60
FNMA MTN, 5.375%	02/19/10	06/12/17	390,247.55	400,761.20	350,000.00	4.70
AT T Inc	05/17/12	02/15/17	85,969.85	85,042.93	85,000.00	1.60
Bank of America	04/10/13	07/12/13	96,075.10	95,662.17	90,000.00	3.50
Walt Disney Co	05/04/12	08/16/16	90,812.70	91,172.25	90,000.00	1.30
Gen Elec Cap Med Term Note	09/21/12	07/02/15	91,852.20	91,436.31	90,000.00	1.60
Goldman Sachs	04/08/13	01/22/18	183,224.80	180,403.74	180,000.00	2.70
John Deere Cap	12/16/13	12/13/18	65,007.56	64,585.69	65,000.00	2.00
JPMORGAN CHASE, 4.65%	08/26/11	06/01/14	266,325.00	254,212.50	250,000.00	4.60
Pepsico Inc	03/12/13	05/10/16	63,379.20	62,243.82	60,000.00	2.40
Verizon Comm	03/01/13	11/02/15	90,272.40	89,841.78	90,000.00	0.70
Wal-Mart Stores	04/22/13	04/11/18	90,222.40	87,674.67	90,000.00	1.20
Wells Fargo Co	06/26/12	05/08/17	90,028.80	91,673.37	90,000.00	2.10
			8,731,804.95	8,892,654.04		
<b>Charles Schwab - William Blair &amp; Co.</b>						
Money Market	12/01/12		340,875.39	340,875.39		0.00
Zero Coupon Bond	01/29/03	05/15/20	136,910.10	129,632.85	150,000.00	0.00
Treasury, 1.125%	01/18/13	01/15/21	711,745.60	644,347.88	575,000.00	1.10
Treasury, 2.375%	01/18/13	01/15/17	266,309.10	254,874.40	200,000.00	2.20
Alcoa Inc.	01/03/13	08/15/20	137,160.00	134,598.50	125,000.00	5.70
American Express	01/08/13	08/28/17	181,108.50	173,010.00	150,000.00	5.30
AIG	01/04/13	06/01/22	170,550.00	160,387.20	150,000.00	4.60
Bank of America Credit	03/22/13	03/22/16	100,010.00	100,554.00	100,000.00	0.00
Boston Properties	01/07/13	10/15/19	180,600.00	173,537.40	150,000.00	5.10
Burlington North	01/10/13	10/01/19	145,596.25	137,969.00	125,000.00	4.30
Capital One Financial	01/03/13	09/15/17	183,000.00	174,841.20	150,000.00	5.80
Citigroup Inc	01/08/13	05/22/19	203,544.00	191,829.60	150,000.00	6.60
CSX Corporation	10/21/13	02/01/19	123,410.00	121,570.30	100,000.00	6.10

**STATEMENT OF INVESTMENTS-FIRE PENSION FUND**  
**As of December 31, 2013**

Investment	Investment Date	Maturity Date	Book Value	Market Value	Maturity Value	Rate of Interest
Deere & Company	01/10/13	09/10/18	152,790.00	145,143.00	125,000.00	5.00
Devon Energy Corp	12/19/13	12/15/15	100,010.00	100,155.90	100,000.00	0.00
Discover Financial Serv	01/23/13	04/27/22	172,282.50	155,098.80	150,000.00	5.00
Discovery Communications	01/28/13	08/15/19	148,900.00	140,426.25	125,000.00	5.00
Embraer S.A.	01/08/13	06/15/22	166,132.50	149,639.70	150,000.00	5.20
Energizer Holdings	11/05/13	05/19/21	129,911.25	126,156.25	125,000.00	4.70
Exelon Generation	01/15/13	10/01/17	148,121.25	141,172.00	125,000.00	5.50
Ford Motor Credit	01/08/13	01/15/20	193,402.50	188,224.05	150,000.00	6.50
General Electric	01/10/13	05/01/18	147,962.50	143,752.25	125,000.00	4.90
Gilead Sciences	01/03/13	12/15/21	142,476.25	133,060.00	125,000.00	4.10
Goldman Sachs Group	11/15/13	11/15/18	150,010.00	149,998.50	150,000.00	0.00
Hewlett Packard	01/03/13	06/01/21	149,083.50	150,845.55	150,000.00	4.30
Honeywell International	01/24/13	02/15/19	148,778.75	140,965.38	125,000.00	4.40
Johnson Controls Inc	01/24/13	03/30/20	171,397.50	164,164.65	150,000.00	4.60
JP Morgan Chase	01/03/13	06/27/17	175,501.50	170,473.50	150,000.00	5.40
Kroger Co	01/23/13	04/15/22	129,327.50	119,925.50	125,000.00	3.50
L-3 Communications Group	01/07/13	02/15/21	169,429.50	156,657.75	150,000.00	4.70
Masco Corporation	10/21/13	03/15/22	132,897.50	132,500.00	125,000.00	5.60
Merrill Lynch	01/15/13	11/15/18	185,038.50	178,581.30	150,000.00	5.80
Morgan Stanley	01/03/13	04/01/18	178,378.50	175,003.20	150,000.00	5.70
Omnicom Group Inc	01/08/13	08/15/20	167,325.90	158,518.65	150,000.00	4.20
O'Reilly Auto Parts	10/18/13	09/15/21	132,060.00	128,785.38	125,000.00	4.50
Petrobras International	01/03/13	10/06/16	125,010.00	122,513.63	125,000.00	0.00
Republic Services	01/24/13	09/15/19	149,173.75	141,048.88	125,000.00	4.90
Simon Property Group	01/07/13	05/30/18	91,503.75	86,858.93	75,000.00	5.30
Time Warner Cable	10/21/13	02/14/19	155,088.65	155,448.93	130,000.00	7.30
Wyndham Worldwide	02/22/13	03/01/18	99,878.00	99,791.80	100,000.00	2.50
FHLMC A4-9814	01/18/13	06/01/36	269,255.64	256,398.13	230,350.96	5.40
FHLMC A7-2610	01/18/13	02/01/38	355,938.28	333,278.19	294,623.31	5.30
FHLMC A9 1904	06/12/10	04/01/40	134,388.50	138,029.70	125,228.59	5.00
FHLMC A9-2646	07/01/13	06/01/40	83,055.94	82,311.34	73,943.85	4.90
FHLMC B1-1791	01/18/13	01/01/19	153,144.37	148,246.47	139,528.06	4.70
FHLMC G0-5723	05/13/13	11/01/38	138,948.58	135,280.61	119,566.04	5.70
FHLMC G0-6583	06/27/13	06/01/41	415,792.30	404,883.59	370,003.03	4.60
FHLMC J1-8361	01/23/13	03/01/27	824,084.50	784,428.42	749,905.76	3.30
FNMA AA4519	01/25/13	03/01/24	237,972.05	225,503.46	208,563.52	4.20
FNMA AA5028	01/25/13	04/01/24	155,634.16	147,245.26	136,184.10	4.20
FNMA AB1146	01/17/13	06/01/40	288,483.09	277,706.93	254,460.91	4.60
FNMA AC3237	12/16/13	10/01/39	181,113.33	179,935.54	164,873.67	4.60
FNMA AC6257	01/17/13	12/01/24	194,177.81	185,484.09	173,224.63	3.70
FNMA AD6942	01/17/13	06/01/40	114,624.51	111,768.67	102,412.85	4.60
FNMA PL AD7531	07/15/13	06/01/40	721,887.66	714,135.62	637,465.70	4.90
FNMA AD8164	04/16/13	08/01/25	187,047.44	180,374.98	168,453.20	3.70
FNMA PL AJ7724	09/17/13	12/01/26	394,394.66	395,960.77	369,624.64	3.70
FNMA PL AL2851	02/25/13	08/01/26	904,112.46	871,152.03	813,573.78	3.70
FNMA 645917	07/19/10	06/01/17	133,156.49	104,766.38	97,861.62	6.10
FNMA PL785817	01/18/13	01/01/20	418,010.95	397,402.24	368,836.24	4.60
FNMA 816387	01/18/13	05/01/20	427,982.39	401,096.96	372,265.37	4.60
FNMA 890234	01/18/13	10/01/38	229,645.08	219,507.71	196,188.18	5.40
FNMA PL 932095	02/14/13	11/01/24	165,844.03	160,549.06	149,937.67	3.70
FNMA 947364	01/18/13	10/01/37	112,162.43	106,900.42	94,749.89	5.30
FNMA 993562	01/23/13	04/01/24	385,179.63	373,266.08	349,206.79	3.70
Total William Blair			14,518,726.77	13,928,550.10		
<b>Total Investments</b>			<b>\$ 61,076,920.42</b>	<b>\$ 67,805,625.36</b>		

<b>STATEMENT OF INVESTMENTS-FIRE PENSION FUND</b>
<b>As of December 31, 2013</b>

Investment	Investment Date	Maturity Date	Book Value	Market Value	Maturity Value	Rate of Interest
<b>Total Invested Per Institution</b>			<b>Book Value</b>	<b>Market Value</b>	<b>Percent Invested</b>	
Illinois Funds			508,263.30	508,263.30		0.83
Equities			4,102,412.47	5,182,505.86		6.72
Money Market			875,528.83	875,528.83		1.43
Mutual Funds			31,198,478.29	37,323,533.35		51.08
GNMA			0.00	0.00		-
Treasury Bonds			286,024.54	271,817.29		0.47
Treasury Notes			4,362,485.71	4,400,448.24		7.14
FNMA			7,471,953.82	7,273,706.22		12.23
FHLMC Bonds			2,814,758.93	2,736,934.83		4.61
FHLB Agency Bonds			176,194.44	200,756.70		0.29
Zero Coupon Bonds			955,897.50	987,188.23		1.57
Real Estate			1,674,902.28	1,627,786.35		2.74
Corporate Bonds			6,650,020.31	6,417,156.16		10.89
			\$61,076,920.42	\$67,805,625.36		100.00

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 COMBINING STATEMENT OF PLAN NET POSITION  
 PENSION TRUST FUNDS  
 December 31, 2013

	Pension Trust		Total
	Police Pension	Firefighters Pension	
<b>ASSETS</b>			
Cash and Short-Term Investments	\$ 1,181,883	\$ 509,263	\$ 1,691,146
Investments, at Fair Value			
U.S. Treasury Securities	12,227,944	5,659,453	17,887,397
U.S. Agency Securities	12,248,641	10,211,399	22,460,040
Corporate Bonds	-	6,417,156	6,417,156
IMET	402,504	-	402,504
Mutual Funds	40,182,605	37,323,533	77,506,138
Money Market Mutual Funds	174,781	875,529	1,050,310
Equity Securities	-	6,810,292	6,810,292
Receivables (Net, Where Applicable, of Allowances for Uncollectibles):			
Interest Receivable	160,141	139,802	299,943
Other	-	7,397	7,397
<b>TOTAL ASSETS</b>	<u>66,578,499</u>	<u>67,953,824</u>	<u>134,532,323</u>
<b>LIABILITIES</b>			
Accounts Payable	680	3,913	4,593
<b>TOTAL LIABILITIES</b>	<u>680</u>	<u>3,913</u>	<u>4,593</u>
<b>NET POSITION</b>			
Held in Trust for Pension Benefits	<u>\$ 66,577,819</u>	<u>\$ 67,949,911</u>	<u>\$ 134,527,730</u>

VILLAGE OF HOFFMAN ESTATES, ILLINOIS  
 COMBINING STATEMENT OF CHANGES IN PLAN NET POSITION  
 PENSION TRUST FUNDS  
 Year ended December 31, 2013

	Pension Trust		Total
	Police Pension	Firefighters' Pension	
<b>ADDITIONS</b>			
Contributions			
Employer	\$ 2,525,766	\$ 2,062,868	\$ 4,588,634
Employee	855,767	833,245	1,689,012
Other	154,357	766	155,123
Total Contributions	<u>3,535,890</u>	<u>2,896,879</u>	<u>6,432,769</u>
Investment Income (Loss)			
Net Appreciation in Fair Value of Investments	7,025,311	7,271,115	14,296,426
Interest Revenue	1,336,761	1,601,142	2,937,903
Investment Expense	<u>(101,434)</u>	<u>(151,879)</u>	<u>(253,313)</u>
Net Investment Income	<u>8,260,638</u>	<u>8,720,378</u>	<u>16,981,016</u>
<b>TOTAL ADDITIONS</b>	<u>11,796,528</u>	<u>11,617,257</u>	<u>23,413,785</u>
<b>DEDUCTIONS</b>			
Benefits and Refunds	3,355,817	3,273,423	6,629,240
Miscellaneous	<u>30,600</u>	<u>43,574</u>	<u>74,174</u>
<b>TOTAL DEDUCTIONS</b>	<u>3,386,417</u>	<u>3,316,997</u>	<u>6,703,414</u>
Net Change in Plan Net Position	<u>8,410,111</u>	<u>8,300,260</u>	<u>16,710,371</u>
Plan Net Position at Beginning of Year	<u>58,167,708</u>	<u>59,649,651</u>	<u>117,817,359</u>
Plan Net Position at End of Year	<u>\$ 66,577,819</u>	<u>\$ 67,949,911</u>	<u>\$ 134,527,730</u>

<b>STATEMENT OF INVESTMENTS-FIRE PENSION FUND</b>
<b>As of October 31, 2014</b>

Investment	Investment Date	Maturity Date	Book Value	Market Value	Maturity Value	Rate of Interest
Illinois Funds	09/30/86		1,070,907.30	1,070,907.30		0.012
<b><u>Charles Schwab - Mutual Funds</u></b>						
Mutual Funds	Various		28,743,490.45	35,008,035.36		
Money Market	12/01/12		389,890.04	389,890.04		
Total Charles Schwab Mid Cap			29,133,380.49	35,397,925.40		
<b><u>Charles Schwab - Adelante Capital Management</u></b>						
Real Estate	Various		2,800,804.47	3,196,631.55		
Money Market	12/01/12		43,359.07	43,359.07		
Total Adelante Capital Managemen			2,844,163.54	3,239,990.62		
<b><u>Charles Schwab - Rothschild Asset Management</u></b>						
Equities	Various		5,538,123.77	6,532,303.92		
Money Market	12/01/12		230,098.21	230,098.21		
Total Rothschild Asset Management			5,768,221.98	6,762,402.13		
<b><u>Charles Schwab-Fixed Income</u></b>						
Money Market	12/01/12		11,973.64	11,973.64		
Treasury Stripped	03/03/14	05/15/18	270,586.15	273,332.96	285,000.00	0.00
Treasury Stripped	05/15/13	11/15/18	380,050.00	377,687.60	400,000.00	0.00
Treasury Bond, 9.125%	05/08/07	05/15/18	286,024.54	261,663.23	205,000.00	7.10
Treasury Note, 1.625%	09/12/13	11/15/22	180,182.68	191,875.00	200,000.00	1.70
Treasury Note, 1.875%	11/08/10	10/31/17	262,672.13	266,946.94	260,000.00	1.80
Treasury Note, 3.375%	12/18/09	11/15/19	442,055.32	487,687.50	450,000.00	3.10
Treasury Note, 4.0%	10/16/08	08/15/18	409,845.35	440,375.20	400,000.00	3.60
Treasury Note, 1.875%	07/16/10	06/30/15	336,102.52	333,867.27	330,000.00	1.90
Treasury Note, 2.125%	10/20/11	08/15/21	299,028.54	301,968.90	300,000.00	2.10
Treasury Note, 2.625%	09/15/10	08/15/20	447,470.55	469,265.85	450,000.00	2.50
Treasury Note, 1.0%	06/18/14	05/31/18	88,593.51	89,296.92	90,000.00	1.00
FHLMC MTN, 3.75%	02/09/12	03/27/19	286,154.50	272,029.75	250,000.00	3.50
FHLMC MTN, 4.75%	05/14/07	11/17/15	440,150.82	439,714.80	420,000.00	4.50
FNMA MTN, 3.05%	09/28/10	09/28/20	245,490.00	257,792.92	245,000.00	2.90
FNMA, .875%	03/17/14	12/20/17	297,434.80	297,804.60	300,000.00	0.90
FNMA 1.375%	07/26/13	11/15/16	203,422.80	203,113.80	200,000.00	1.40
FNMA MTN, 2.375%	03/06/12	07/28/15	201,155.85	193,131.77	190,000.00	2.30
FNMA MTN, 2.625%	03/18/10	11/20/14	452,006.55	450,540.90	450,000.00	2.60
FNMA MTN, 5.375%	02/19/10	06/12/17	390,247.55	390,154.80	350,000.00	4.80
AT T Inc	05/17/12	02/15/17	85,969.85	85,716.30	85,000.00	1.60
Bank of America	04/10/13	07/12/13	96,075.10	93,869.10	90,000.00	3.60
Citigroup Inc.	09/25/14	04/08/19	15,138.25	15,125.09	15,000.00	2.60
Walt Disney Co	05/04/12	08/16/16	90,812.70	91,037.88	90,000.00	1.30
Gen Elec Cap Med Term Note	09/21/12	07/02/15	91,852.20	90,767.52	90,000.00	1.60
Goldman Sachs	04/08/13	01/22/18	183,224.80	181,414.62	180,000.00	2.40
John Deere Cap	12/16/13	12/13/18	64,997.00	65,101.08	65,000.00	2.00
Pepsico Inc	03/12/13	05/10/16	63,379.20	61,653.84	60,000.00	2.40
Teva Pharmaceutical	01/15/14	11/10/16	87,991.80	87,302.99	85,000.00	2.30
Verizon Comm	03/01/13	11/02/15	90,272.40	90,100.44	90,000.00	0.70
Wal-Mart Stores	04/22/13	04/11/18	90,222.40	88,843.95	90,000.00	1.10
Wells Fargo Co	06/26/12	05/08/17	90,028.80	91,965.33	90,000.00	2.10
			6,980,612.30	7,053,122.49	6,805,000.00	
<b><u>Charles Schwab - William Blair &amp; Co.</u></b>						
Money Market	12/01/12		1,090,759.34	1,090,759.34		0.00
Zero Coupon Bond	01/29/03	05/15/20	181,874.60	181,156.20	200,000.00	0.00
Treasury, 1.875%	05/23/14	07/15/19	186,009.56	183,005.55	150,000.00	1.70
Treasury, 3.875%	09/04/14	04/15/29	1,054,884.92	1,039,303.00	500,000.00	2.70
AIG	01/04/13	06/01/22	170,550.00	167,251.05	150,000.00	4.40
American Express	01/08/13	08/28/17	181,108.50	169,040.40	150,000.00	5.50
BANCOLOMBIA S.A	09/16/14	06/30/21	164,620.00	166,259.40	150,000.00	5.40
Bank of America	05/11/14	02/07/42	177,937.00	181,797.30	150,000.00	5.00
BHP Billiton	08/25/14	09/30/23	185,270.25	185,204.78	175,000.00	3.70
Boston Properties	01/07/13	10/15/19	180,600.00	173,253.30	150,000.00	5.10
Burlington North	08/26/14	05/01/40	178,688.50	178,143.00	150,000.00	4.90
Capital One Financial	06/10/14	07/15/21	166,441.00	164,992.65	150,000.00	4.40
Citigroup Inc	01/08/13	05/22/19	203,544.00	188,085.60	150,000.00	6.80
Comcast Corp	08/19/14	03/15/37	162,012.50	160,493.50	125,000.00	5.00

**STATEMENT OF INVESTMENTS-FIRE PENSION FUND**  
**As of October 31, 2014**

Investment	Investment Date	Maturity Date	Book Value	Market Value	Maturity Value	Rate of Interest
CSX Corporation	10/21/13	02/01/19	123,410.00	120,829.20	100,000.00	6.10
Deere & Company	01/10/13	09/10/18	152,790.00	142,817.88	125,000.00	5.00
Discover Financial Servic	01/23/13	04/27/22	172,282.50	164,525.40	150,000.00	4.70
Discovery Communications	01/28/13	08/15/19	148,900.00	141,939.13	125,000.00	5.00
DOW Chemical Co.	09/16/14	07/01/24	148,105.00	147,949.05	150,000.00	3.60
Embraer S.A.	01/08/13	06/15/22	166,132.50	161,060.85	150,000.00	4.90
ERP Operating	08/26/14	12/15/21	166,103.50	164,741.85	150,000.00	4.30
Exelon Generation	01/15/13	10/01/17	148,121.25	140,675.75	125,000.00	5.50
Express Scripts	08/29/14	11/15/41	187,834.00	184,783.65	150,000.00	5.00
Ford Motor Credit	01/08/13	01/15/20	193,402.50	187,693.80	150,000.00	6.50
General Electric	06/12/14	10/17/21	166,310.50	167,159.70	150,000.00	4.20
Gilead Sciences	08/25/14	12/01/41	180,256.00	182,073.15	150,000.00	4.80
Goldman Sachs Group	11/15/13	11/15/18	150,010.00	151,376.40	150,000.00	0.00
Honeywell International	01/24/13	02/15/19	148,778.75	140,569.50	125,000.00	4.50
HSBC Holdings	09/17/14	12/31/99	200,010.00	204,000.00	200,000.00	6.40
Johnson Controls, Inc	01/24/13	03/30/20	171,397.50	165,483.90	150,000.00	4.50
JP Morgan Chase	01/03/13	06/27/17	175,501.50	166,992.15	150,000.00	5.50
JP Morgan Chase	08/25/14	05/15/38	190,418.50	193,046.55	150,000.00	5.10
Kroger Co	01/23/13	04/15/22	179,770.50	177,238.43	175,000.00	3.40
Masco Corporation	10/21/13	03/15/22	132,897.50	137,187.50	125,000.00	5.50
Merrill Lynch	01/15/13	11/15/18	185,038.50	175,432.80	150,000.00	5.90
Morgan Stanley	01/03/13	04/01/18	178,378.50	171,817.80	150,000.00	5.80
O'Reilly Auto Parts	10/18/13	09/15/21	186,172.99	190,411.90	175,000.00	4.30
Petrobras International	01/03/13	10/06/16	125,010.00	125,605.88	125,000.00	0.00
Petroleos Mexican	08/25/14	06/02/41	179,531.50	174,654.60	150,000.00	0.00
Philip Morris	08/11/14	05/16/38	158,563.75	159,343.38	125,000.00	5.10
Progress Energy	08/26/14	01/15/21	165,752.50	163,598.55	150,000.00	4.00
Republic Services	01/24/13	09/15/19	321,920.75	313,205.75	275,000.00	4.80
Simon Property Group	08/28/14	03/01/21	165,821.50	164,459.70	150,000.00	4.00
Synchrony Financial	08/11/14	08/15/24	174,975.50	177,294.08	175,000.00	4.30
Verizon Wireless	08/25/14	11/01/21	181,320.50	178,315.73	175,000.00	3.50
Wells Fargo	08/28/14	01/16/24	187,444.00	184,359.88	175,000.00	4.30
Wyndham Worldwide	06/09/14	03/01/23	124,838.75	122,941.00	125,000.00	4.00
FHLMC A4-9814	01/18/13	06/01/36	240,844.26	229,992.63	201,939.58	5.30
FHLMC A7-2610	01/18/13	02/01/38	305,183.77	280,794.94	243,868.80	5.20
FHLMC A9 1904	06/12/10	04/01/40	115,179.30	118,676.83	106,019.39	4.90
FHLMC A9-2646	07/01/13	06/01/40	75,853.02	75,439.01	66,740.93	4.90
FHLMC B1-1791	01/18/13	01/01/19	122,870.01	116,775.58	109,253.70	4.70
FHLMC B14035	02/19/14	05/01/19	45,068.05	44,336.31	41,450.76	4.20
FHLMC E01446	02/19/14	09/01/18	27,328.83	26,410.54	25,013.19	4.30
FHLMC G0-5723	05/13/13	11/01/38	112,904.18	107,339.85	93,521.64	5.70
FHLMC G0-6583	06/27/13	06/01/41	637,091.68	633,093.06	563,605.56	4.50
FHLMC G0-6964	06/27/14	11/01/38	612,463.37	605,009.51	532,601.77	4.90
FNMA AA4519	01/25/13	03/01/24	195,958.47	178,505.92	166,549.94	4.20
FNMA AA5028	01/25/13	04/01/24	133,586.39	122,329.73	114,136.33	4.20
FNMA AB1146	01/17/13	06/01/40	254,664.08	246,317.14	220,641.90	4.50
FNMA AC3237	12/16/13	10/01/39	161,448.13	162,105.80	145,208.47	4.50
FNMA AC6257	01/17/13	12/01/24	168,135.54	159,079.42	147,182.36	3.70
FNMA AD6942	01/17/13	06/01/40	102,729.40	101,050.93	90,517.74	4.50
FNMA PL AD7531	07/15/13	06/01/40	676,170.35	672,297.19	591,748.39	4.80
FNMA AD8164	04/16/13	08/01/25	166,807.65	160,193.81	148,213.41	3.70
FNMA PL AL3449	06/27/14	07/01/36	1,002,031.29	991,969.59	862,820.84	5.20
FNMA PL AV6413	02/19/14	02/01/29	194,578.29	193,507.18	178,937.39	3.70
FNMA PL 254631	02/19/14	02/01/18	61,057.52	58,552.45	55,305.45	4.70
FNMA 645917	07/19/10	06/01/17	90,959.26	59,478.98	55,664.39	6.10
FNMA PL 735209	02/19/14	06/01/33	30,962.04	30,607.35	26,920.55	5.70
FNMA PL888703	09/11/14	08/01/37	1,565,693.57	1,534,441.81	1,330,232.45	5.60
FNMA 890234	01/18/13	10/01/38	184,329.00	171,804.69	150,872.10	5.30
FNMA PL 932095	02/14/13	11/01/24	139,964.75	134,086.29	124,058.39	3.70
FNMA 947364	01/18/13	10/01/37	97,889.20	92,522.55	80,476.66	5.20
FNMA PL 982880	02/19/14	05/01/23	133,058.72	127,447.53	118,850.13	5.10
FNMA PL 993562	01/23/13	04/01/24	314,756.70	300,447.31	278,783.86	3.70
Total William Blair			17,891,067.73	17,506,943.89	14,221,136.07	
<b>Total Investments</b>			<b>\$ 63,688,353.34</b>	<b>\$ 71,031,291.83</b>		

<b>STATEMENT OF INVESTMENTS-FIRE PENSION FUND</b> <b>As of October 31, 2014</b>
--

Investment	Investment Date	Maturity Date	Book Value	Market Value	Maturity Value	Rate of Interest
			Book Value	Market Value	Percent Invested	
<b>Total Invested Per Institution</b>						
Equities			5,538,123.77	6,532,303.92	8.70	
Money Market			1,766,080.30	1,766,080.30	2.77	
Mutual Funds			28,743,490.45	35,008,035.36	45.13	
Treasury Bonds			286,024.54	261,663.23	0.45	
Treasury Notes			3,706,845.08	3,803,592.13	5.82	
FNMA			7,750,692.40	7,561,314.21	12.17	
FHLMC Bonds			2,734,937.29	2,677,583.06	4.29	
Zero Coupon Bonds			832,510.75	832,176.76	1.31	
Real Estate			2,800,804.47	3,196,631.55	4.40	
Corporate Bonds			8,457,936.99	8,321,004.01	13.28	
			\$63,688,353.34	\$71,031,291.83	100.00	



**FOSTER & FOSTER**  
ACTUARIES AND CONSULTANTS

VILLAGE OF HOFFMAN ESTATES  
FIREFIGHTERS' PENSION FUND

ACTUARIAL VALUATION  
AS OF JANUARY 1, 2014

CONTRIBUTIONS APPLICABLE TO THE  
PLAN/FISCAL YEAR ENDED DECEMBER 31, 2014



October 13, 2014

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.

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.

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.

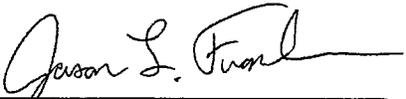
The undersigned is familiar with the immediate and long-term aspects of pension valuations, and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the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

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

Respectfully submitted,

Foster & Foster, Inc.

By:   
\_\_\_\_\_  
Jason L. Franken  
Enrolled Actuary #14-06888

JLF/lke  
Enclosures

TABLE OF CONTENTS

Section	Title	Page
I	Introduction	
	a. Summary of Report	1
	b. Changes Since Prior Valuation	2
	c. Comparative Summary of Principal Valuation Results	3
II	Valuation Information	
	a. Development of Amortization Payment	8
	b. Projection of Benefit Payments	9
	c. Actuarial Assumptions Methods	10
	d. Valuation Notes	12
III	Trust Fund	13
IV	Member Statistics	
	a. Statistical Data	17
	b. Age and Service Distribution	18
	c. Participant Reconciliation	19
V	Summary of Plan Provisions	20
VI	Governmental Accounting Standards Board Statements No. 25 and No. 27 Disclosure Information	23

SUMMARY OF REPORT

The regular annual actuarial valuation of the Village of Hoffman Estates Firefighters' Pension Fund, performed as of January 1, 2014, 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, 2014. This is our first actuarial valuation performed for the Village of Hoffman Estates Firefighters' Pension Fund. Since much of the historical data typically shown in our report is not readily available, we are not able to provide all of the information we would like to include. As a result, we have shown an "N/A" where the data was not available. In future years, the N/A's will be replaced with actual results.

The contribution requirements, compared with those set forth in the January 1, 2013 actuarial report as issued by the Illinois Department of Insurance, are as follows:

Valuation Date	1/1/2013	1/1/2014
Applicable Plan/Fiscal Year End	<u>12/31/2013</u>	<u>12/31/2014</u>
Total Required Contribution	\$3,806,180	\$4,501,221
% of Total Annual Payroll	46.0%	52.9%
Member Contributions (Est.)	835,006	804,532
% of Total Annual Payroll	9.455%	9.455%
Village Required Contribution	2,971,174	3,696,689
% of Total Annual Payroll	36.5%	43.4%

As you can see, the Total Required Contribution has increased as a percentage of payroll since the January 1, 2013 actuarial valuation report. This increase is primarily due to the net effect of the change in the valuation funding method from Projected Unit Credit to Entry Age Normal and targeting to fund 100% of the Unfunded Accrued Liability at the end of the amortization period instead of 90%. The overall actuarial experience during the year has been more favorable than expected on the basis of the Plan's actuarial assumptions. The primary sources of favorable experience include average increases in pensionable earnings that were below the assumption and a 7.36% investment return (Actuarial Asset basis) which was higher than the 6.75% assumption.

This report uses actuarial assumptions and methods determined based on our discussion with the Board. The assumptions reflect our best estimate of future experience and the methods assign a reasonable portion of the contribution requirements to today's taxpayers.

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 of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,  
FOSTER & FOSTER, INC.



By: \_\_\_\_\_  
Jason L. Franken, FSA, EA, MAAA

Plan Changes Since Prior Valuation

There have been no Plan changes since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

There have been no assumption changes since the prior valuation.

Since the prior valuation the following methods have been updated:

1. The funding method was changed from Projected Unit Credit to Entry Age Normal.
2. The amortization of the unfunded accrued liability was updated to fund 100% of the unfunded accrued liability by the end of the 2040 vs. the 90% target that was the basis for the Illinois Department of Insurance minimum required contribution as dictated by Illinois statute.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	1/1/2014	1/1/2013
<b>A. Participant Data</b>		
Number Included		
Actives	93	92
Service Retirees	38	41
Beneficiaries	6	5
Terminated Vested	0	0
Disability Retirees	13	8
Total	150	146
Total Annual Payroll	\$8,509,061	\$8,272,945
Payroll Under Assumed Ret. Age	8,509,061	8,272,945
Annual Rate of Payments to:		
Service Retirees	2,423,695	N/A
Beneficiaries	247,855	N/A
Terminated Vested	0	N/A
Disability Retirees	732,793	N/A
<b>B. Assets</b>		
Actuarial Value	64,911,199	60,867,862
Market Value	67,949,911	59,649,650
<b>C. Liabilities</b>		
Present Value of Benefits		
Active Members		
Retirement Benefits	61,593,835	N/A
Disability Benefits	7,684,531	N/A
Death Benefits	1,486,856	N/A
Vested Benefits	1,964,147	N/A
Service Retirees	38,373,594	N/A
Beneficiaries	2,445,589	N/A
Terminated Vested	0	N/A
Disability Retirees	9,978,313	N/A
Total	123,526,865	N/A

	<u>1/1/2014</u>	<u>1/1/2013</u>
<b>C. Liabilities - (Continued)</b>		
Present Value of Future Salaries	85,513,153	N/A
Present Value of Future Member Cont.	8,085,269	N/A
Normal Cost		
Retirement Benefits	1,927,971	N/A
Disability Benefits	432,020	N/A
Death Benefits	86,653	N/A
Vested Benefits	151,152	N/A
Total Normal Cost	<u>2,597,796</u>	<u>2,550,743</u>
Present Value of Future Normal Costs	25,926,868	N/A
Actuarial Accrued Liability		
Retirement Benefits	42,408,774	N/A
Disability Benefits	3,296,818	N/A
Death Benefits	622,383	N/A
Vested Benefits	474,526	N/A
Inactives	50,797,496	N/A
Total Actuarial Accrued Liability *	<u>97,599,997</u>	<u>91,663,255</u>
Unfunded Actuarial Accrued Liab (UAAL)	32,688,798	30,795,393
<b>D. Actuarial Present Value of Accrued Benefits</b>		
Vested Accrued Benefits		
Inactives	50,797,496	N/A
Actives	18,940,616	N/A
Member Contributions	8,548,435	N/A
Total	<u>78,286,547</u>	<u>N/A</u>
Non-vested Accrued Benefits	<u>2,200,180</u>	<u>N/A</u>
Total Present Value Accrued Benefits	80,486,727	N/A
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:		
Plan Amendments	N/A	
Assumption Changes	N/A	
New Accrued Benefits	N/A	
Benefits Paid	N/A	
Interest	N/A	
Other	<u>N/A</u>	
Total:	N/A	

\* Values reported for 1/1/2013 are consistent with the report issued by the Department of Insurance. As such, this is using the Projected Unit Credit Cost Method.

Valuation Date	1/1/2014	1/1/2013
Applicable to Fiscal Year Ending	<u>12/31/2014</u>	<u>12/31/2013</u>
<b>E. Pension Cost</b>		
Normal Cost (with interest)	\$2,773,147	\$2,722,918
% of Total Annual Payroll*	32.6	32.9
Administrative Expense (with interest)	46,515	0 **
% of Total Annual Payroll*	0.6	0.0
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 27 years (as of 1/1/2014)	1,681,559	1,083,262 ***
% of Total Annual Payroll*	19.8	13.1
Total Required Contribution	4,501,221	3,806,180
% of Total Annual Payroll*	52.9	46.0
Expected Member Contributions	804,532	835,006
% of Total Annual Payroll*	9.5	9.5
Expected Village Contribution	3,696,689	2,971,174
% of Total Annual Payroll*	43.4	36.5

**F. Past Contributions**

Plan Year Ending:	<u>12/31/2013</u>
Total Required Contribution	3,804,419
Village Requirement	2,971,174
Actual Contributions Made:	
Members	833,245
Village	<u>2,062,868</u>
Total	2,896,113

**G. Net Actuarial Gain (Loss)** (59,294)

\* Contributions developed as of 1/1/2014 are expressed as a percentage of projected annual payroll at 1/1/2014 of \$8,509,061.

\*\* The 1/1/2013 results do not consider the administrative expenses as part of the minimum calculation based on the methodology employed by the Illinois Department of Insurance.

\*\*\* The results reported for 1/1/2013 are consistent with the Department of Insurance Actuarial valuation. As such, this payment is calculated to fund 90% of the Unfunded Accrued Liability by 2041 on a Projected Unit Credit Basis as required by Illinois statute.

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

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2014	\$32,688,798
2015	33,213,733
2016	33,698,431
2021	35,283,329
2026	34,666,310
2036	19,886,883
2041	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Compensation

		<u>Actual</u>	<u>Assumed *</u>
Year Ended	12/31/2013	4.06%	5.22%
Year Ended	12/31/2012	N/A	N/A
Year Ended	12/31/2011	N/A	N/A

*\*Assumed salary increases are according to a service-related table, with rates grading from 12% to 4% at 30 years of service. The rate shown here is the expected increase for the active population in aggregate, given the age distribution of the actives employees who were in both the prior and current valuation.*

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

		<u>Actual</u>	<u>Assumed</u>
Year Ended	12/31/2013	7.36%	6.75%
Year Ended	12/31/2012	N/A	N/A
Year Ended	12/31/2011	N/A	N/A

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 #14-06888

DEVELOPMENT OF JANUARY 1, 2014 AMORTIZATION PAYMENT

(1) Unfunded Actuarial Accrued Liability as of January 1, 2013	\$30,795,393	*
(2) Village's Normal Cost Applicable for the year	1,768,536	
(3) Interest on (1) and (2)	2,198,065	
(4) Sponsor Contributions to the System during the year ending December 31, 2013	2,062,868	
(5) Interest on (4)	<u>69,622</u>	
(6) Expected UAAL as of January 1, 2014 (1)+(2)+(3)-(4)-(5)	\$32,629,504	
(7) Change in UAAL Due to Actuarial (Gain)/Loss and Assumption Changes	<u>59,294</u>	
(8) Unfunded Actuarial Accrued Liability as of January 1, 2014	\$32,688,798	

<u>Date Established</u>	<u>Years Remaining</u>	<u>1/1/2014 Amount</u>	<u>Amortization Amount</u>
1/1/2014	27	<u>32,688,798</u>	<u>1,575,231</u>
Total		32,688,798	1,575,231

\* Note, this is based on the Department of Insurance report, which measures this using the Projected Unit Credit cost method. Going forward, we have employed the Entry Age Normal Cost Method.

PROJECTION OF BENEFIT PAYMENTS

Year	Payments for Current Actives	Payments for Current Inactives	Total Payments
2014	302,327	3,408,557	3,710,884
2015	583,286	3,497,169	4,080,455
2016	869,871	3,593,276	4,463,147
2017	1,178,988	3,677,378	4,856,366
2018	1,513,071	3,756,928	5,269,999
2019	1,869,968	3,838,200	5,708,168
2020	2,248,546	3,907,076	6,155,622
2021	2,635,649	3,968,581	6,604,230
2022	3,044,779	4,034,924	7,079,703
2023	3,496,516	4,079,751	7,576,267
2024	3,914,229	4,114,352	8,028,581
2025	4,337,042	4,137,801	8,474,843
2026	4,833,829	4,162,796	8,996,625
2027	5,349,009	4,161,500	9,510,509
2028	5,873,945	4,162,420	10,036,365
2029	6,374,708	4,132,688	10,507,396
2030	6,908,170	4,087,343	10,995,513
2031	7,463,072	4,025,748	11,488,820
2032	8,031,763	3,947,501	11,979,264
2033	8,559,591	3,852,525	12,412,116
2034	9,032,704	3,741,023	12,773,727
2035	9,472,300	3,613,455	13,085,755
2036	9,935,505	3,470,504	13,406,009
2037	10,360,685	3,313,122	13,673,807
2038	10,698,442	3,142,544	13,840,986
2039	10,983,572	2,960,268	13,943,840
2040	11,248,109	2,768,100	14,016,209
2041	11,456,321	2,568,192	14,024,513
2042	11,626,744	2,362,956	13,989,700
2043	11,741,185	2,154,884	13,896,069
2044	11,798,081	1,946,721	13,744,802
2045	11,809,365	1,741,464	13,550,829
2046	11,793,117	1,542,096	13,335,213
2047	11,714,219	1,351,387	13,065,606
2048	11,590,175	1,171,911	12,762,086
2049	11,424,513	1,005,685	12,430,198
2050	11,218,648	854,018	12,072,666
2051	10,974,693	717,810	11,692,503
2052	10,693,668	597,532	11,291,200
2053	10,377,409	492,874	10,870,283

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate	RP-2000 Combined Healthy Mortality with no projection and a blue collar adjustment.
Disabled Mortality Rate	RP-2000 Disabled Retiree Mortality with no projection.
Interest Rate	6.75% per year compounded annually, net of investment related expenses.
Retirement Age	See table below.
Disability Rate	See table below. 90% of the disabilities are assumed to be in the line of duty.
Termination Rate	See table below.
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%

Payroll Growth	4.50% per year
Cost-of-Living Adjustment	<p><u>Tier 1:</u> 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.</p> <p><u>Tier 2:</u> 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.</p>
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.

ACTUARIAL ASSUMPTIONS AND METHODS

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

\*The retirement rates for Tier 2 Members are the same as for Tier 1 Members shown above except there is a 0% probability of retirement until age 55.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

Commencing on January 1, 2011, investment gains and losses are smoothed over a 5-year period.

Amortization Method

Level Percentage of Payroll 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 by the end of 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 PLAN NET ASSETS  
December 31, 2013

<u>ASSETS</u>	COST VALUE	MARKET VALUE
Cash and Cash Equivalents:		
IL Public Treasurers' Inv Pool (IPTIP)	508,263	508,263
Checking Account	1,000	1,000
Money Market	875,529	875,529
<b>Total Cash and Equivalents</b>	<b>1,384,792</b>	<b>1,384,792</b>
Receivable:		
From Village	0	0
Accrued Past Due Interest	139,802	139,802
Miscellaneous	7,397	7,397
<b>Total Receivable</b>	<b>147,199</b>	<b>147,199</b>
Investments:		
State and Local Obligations	0	0
U.S. Gov't and Agency Obligations	16,067,315	15,870,852
Stocks	5,777,315	6,810,292
Corporate Bonds	6,650,020	6,417,155
Municipal Obligations	0	0
Mutual Funds	31,198,478	37,323,534
Pooled/Common/Commingled Funds	0	0
<b>Total Investments</b>	<b>59,693,128</b>	<b>66,421,833</b>
<b>TOTAL ASSETS</b>	<b>61,225,119</b>	<b>67,953,824</b>
<u>LIABILITIES AND NET ASSETS</u>		
Liabilities:		
Payable:		
From Village	0	0
Expenses	3,913	3,913
<b>Total Liabilities</b>	<b>3,913</b>	<b>3,913</b>
Net Assets:		
Active and Retired Members' Equity	61,221,206	67,949,911
<b>Total Net Assets</b>	<b>61,221,206</b>	<b>67,949,911</b>
<b>TOTAL LIABILITIES AND NET ASSETS</b>	<b>61,225,119</b>	<b>67,953,824</b>

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 2013  
Market Value Basis

INCOME		
Contributions:		
Member	833,245	
Village	2,062,868	
Total Contributions		2,896,113
Earnings from Investments		
Interest & Dividends	1,160,883	
Miscellaneous Income	766	
Net Realized Gain (Loss)	1,126,342	
Unrealized Gain (Loss)	6,585,033	
Total Earnings and Investment Gains		8,873,024
EXPENSES		
Administrative Expenses:		
Investment Related*	151,879	
Other	43,574	
Total Expenses		195,453
Distributions to Members:		
Benefit Payments	3,273,423	
Refund of Contributions/Transfers	0	
Total Distributions		3,273,423
Change in Net Assets for the Year		8,300,261
Net Assets Beginning of the Year		59,649,650
Net Assets End of the Year		67,949,911

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION  
December 31, 2013

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.

Plan Year Ending	Gain/(Loss)	Gains/(Losses) Not Yet Recognized				
		Amounts Not Yet Recognized by Valuation Year				
		2014	2015	2016	2017	2018
12/31/2010	N/A	0	0	0	0	0
12/31/2011	(3,703,436)	(1,481,374)	(740,687)	0	0	0
12/31/2012	1,254,813	752,888	501,925	250,963	0	0
12/31/2013	4,708,998	3,767,198	2,825,399	1,883,599	941,800	0
Total		3,038,712	2,586,637	2,134,562	941,800	0

Development of Investment Gain/(Loss)

Market Value of Assets, 12/31/2013	59,649,650
Contributions Less Benefit Payments & Administrative Expenses	(420,884)
Expected Investment Earnings *	4,012,147
Actual Net Investment Earnings	<u>8,721,145</u>
2014 Actuarial Investment Gain/(Loss)	4,708,998

\*Expected Investment Earnings = 6.75% x (59,649,650 + 0.5 x -420,884)

Development of Actuarial Value of Assets

Market Value of Assets, 12/31/2013	67,949,911
(Gains)/Losses Not Yet Recognized	<u>(3,038,712)</u>
Actuarial Value of Assets, 12/31/2013	64,911,199
(A) 12/31/2012 Actuarial Assets:	60,867,862
(I) Net Investment Income:	
1. Interest and Dividends	1,161,649
2. Realized Gains (Losses)	1,126,342
3. Change in Actuarial Value	2,328,109
4. Investment Expenses	<u>(151,879)</u>
Total	4,464,221
(B) 12/31/2013 Actuarial Assets:	64,911,199
Actuarial Asset Rate of Return = (2 x I) / (A + B - I):	7.36%
Market Value of Assets Rate of Return:	14.67%
1/1/2014 Limited Actuarial Assets:	64,911,199

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS  
December 31, 2013  
Actuarial Asset Basis

INCOME		
Contributions:		
Member	833,245	
Village	2,062,868	
<b>Total Contributions</b>		<b>2,896,113</b>
Earnings from Investments		
Interest & Dividends	1,160,883	
Accrued Interest	0	
Miscellaneous Income	766	
Net Realized Gain (Loss)	1,126,342	
Change in Actuarial Value	2,328,109	
<b>Total Earnings and Investment Gains</b>		<b>4,616,100</b>
EXPENSES		
Administrative Expenses:		
Investment Related*	151,879	
Other	43,574	
<b>Total Administrative Expenses</b>		<b>195,453</b>
Distributions to Members:		
Benefit Payments	3,273,423	
Refund of Contributions/Transfers	0	
<b>Total Distributions</b>		<b>3,273,423</b>
<b>Change in Net Assets for the Year</b>		<b>4,043,337</b>
<b>Net Assets Beginning of the Year</b>		<b>60,867,862</b>
<b>Net Assets End of the Year**</b>		<b>64,911,199</b>

\*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

\*\*Net Assets may be limited for actuarial consideration

STATISTICAL DATA\*

	<u>1/1/2011</u>	<u>1/1/2012</u>	<u>1/1/2013</u>	<u>1/1/2014</u>
<u>Active Members</u>				
<i>Tier 1</i>				
Number	N/A	N/A	N/A	89
Average Current Age	N/A	N/A	N/A	43.8
Average Age at Employment	N/A	N/A	N/A	27.5
Average Past Service	N/A	N/A	N/A	16.3
Average Annual Salary	N/A	N/A	N/A	\$93,004
<i>Tier 2</i>				
Number	N/A	N/A	N/A	4
Average Current Age	N/A	N/A	N/A	32.9
Average Age at Employment	N/A	N/A	N/A	32.9
Average Past Service	N/A	N/A	N/A	0.0
Average Annual Salary	N/A	N/A	N/A	\$57,925
<u>Retirees &amp; Beneficiaries</u>				
Number	N/A	N/A	N/A	44
Average Current Age	N/A	N/A	N/A	64.5
Average Annual Benefit	N/A	N/A	N/A	\$60,717
<u>Disability Retirees</u>				
Number	N/A	N/A	N/A	13
Average Current Age	N/A	N/A	N/A	61.5
Average Annual Benefit	N/A	N/A	N/A	\$56,369
<u>Terminated Vested Members</u>				
Number	N/A	N/A	N/A	0
Average Current Age	N/A	N/A	N/A	0.0
Average Annual Benefit	N/A	N/A	N/A	\$0

\* Foster & Foster does not have enough historical data to include 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	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	1	0	0	0	0	2	0	0	0	0	0	3
30 - 34	2	0	0	0	0	11	0	0	0	0	0	13
35 - 39	1	0	0	0	0	7	7	0	0	0	0	15
40 - 44	0	0	0	0	0	6	10	5	0	0	0	21
45 - 49	0	0	0	0	0	1	2	4	11	0	0	18
50 - 54	0	0	0	0	0	0	1	0	6	10	0	17
55 - 59	0	0	0	0	0	0	0	0	0	6	0	6
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
<b>Total</b>	<b>4</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>27</b>	<b>20</b>	<b>9</b>	<b>17</b>	<b>16</b>	<b>0</b>	<b>93</b>

## PARTICIPANT RECONCILIATION

### 1. Active lives

a. Number in prior valuation 1/1/2013	92
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	2
e. Retired	1
f. Voluntary withdrawal	0
g. Continuing participants	89
h. New entrants	4
i. Total active life participants in 1/1/2014 valuation	93

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

	Service Retirees, Vested Receiving <u>Benefits</u>	Vested <u>Deferred</u>	Receiving Disability <u>Benefits</u>	Receiving Death <u>Benefits</u>	<u>Total</u>
Participants, 1/1/2013	41	0	8	5	54
Retired	1	0	0	0	1
Vested Deferred	0	0	0	0	0
Death, With Survivor	(1)	0	0	1	0
Death, No Survivor	0	0	0	0	0
Disabled	0	0	2	0	2
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Data Corrections	(3)	0	3	0	0
Participants, 1/1/2014	38	0	13	6	57

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 January 1, 2041.

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:

<u>Service</u>	<u>% of Salary</u>
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 Fire Protection Village, two active Members of the Fire Department elected by the Membership and one retired Member of the Fire Department elected by the Membership.

**GOVERNMENTAL ACCOUNTING STANDARDS BOARD**

The schedule provided below has been prepared in accordance with the requirements of paragraph 37 of Statement No. 25 of the Governmental Accounting Standards Board.

**SCHEDULE OF FUNDING PROGRESS**

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) - Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a % of Covered Payroll ((b-a)/c)
1/1/2014	64,911,199	97,599,997	32,688,798	66.5%	8,509,061	384.2%
1/1/2013	60,867,862	91,663,255	30,795,393	66.4%	8,272,945	372.2%
1/1/2012	57,881,407	86,270,014	28,388,607	67.1%	8,231,207	344.9%

The schedule provided below has been prepared in accordance with the requirements of paragraph 38 of Statement No. 25 of the Governmental Accounting Standards Board.

**SCHEDULE OF CONTRIBUTIONS FROM THE EMPLOYER AND OTHER CONTRIBUTING ENTITIES**

Year Ended December 31	Annual Required Contribution	Village Contribution	Percentage Contributed
2013	2,971,174	2,062,868	69.4%
2012	2,861,220	2,080,514	72.7%

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE  
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION \*\*

Contribution rates as of 12/31/2013

Village	35.9%
Plan Members	9.455%
Annual Pension Cost	2,971,174
Contributions made	2,062,868
Actuarial valuation date	1/1/2014
Actuarial cost method	Entry Age Normal
Amortization method	Level percentage of pay, closed
Remaining amortization period	27 Years (as of 1/1/2014)
Asset valuation method	Five-Year Smoothed
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increase*	See Below*
* Includes inflation at	3.00%
Post Retirement COLA	3.00%

THREE YEAR TREND INFORMATION

<u>Year Ending</u>	<u>Actuarially Determined Contribution</u>	<u>Percentage of APC * Contributed</u>	<u>Net Pension Obligation</u>
12/31/2013	2,971,174	69%	N/A
12/31/2012	2,861,220	73%	N/A
12/31/2011	N/A	N/A	N/A

\*Assumed salary increases are according to a service-related table, with rates grading from 12% to 4% at 30 years of service.

\*\* Annual Pension Cost from Village sources.

**HOFFMAN ESTATES FIREFIGHTERS  
PENSION FUND**

**INVESTMENT POLICY**

**Updated and Adopted:**

**January, 2014**

**October, 2014**

## **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 14th day of October, 2014.**

\_\_\_\_\_  
President, Board of Trustees  
Hoffman Estates Firefighters Pension Fund

Attest:

\_\_\_\_\_  
Secretary, Board of Trustees  
Hoffman Estates Firefighters Pension Fund

Signed copy on file with the  
Pension Fund and IL Department of  
Insurance.

## ADDENDUM A

### Aggregate Plan Asset Allocation Guidelines (at market value)

<b>Asset Class</b>	<b>Minimum</b>	<b>Maximum</b>	<b>Preferred</b>
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:

<b>Asset Class</b>	<b>Target Index</b>	<b>% in Blend</b>
<b>Equities</b>		<b>60%</b>
<i>Domestic Equities</i>	<i>S&amp;P 500</i>	<i>35%</i>
<i>International Equities</i>	<i>MSCI EAFE</i>	<i>20%</i>
<i>Domestic REIT</i>	<i>Wilshire Domestic REIT</i>	<i>5%</i>
<b>Fixed Income</b>	<b>Barclays Intermediate Aggregate</b>	<b>40%</b>

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:

<b>Domestic Equity</b>	
Russell 3000 iShare	Russell 3000
Rothschild (Large Value)	Russell 1000 Value
Artisan Midcap Value	Russell Mid Cap Value
Vanguard Growth Index Signal	Russell 1000 Growth
T Rowe Price Health	DJ US Health Care
Baird Midcap Institutional	Russell Mid Cap Growth
Vanguard Explorer Admiral Shares	Russell 2000 Growth
Heartland Value Institutional	Russell 2000 Value
Adelante Total Return Strategy	Wilshire US REIT
<b>International Equity</b>	
Oakmark International	MSCI ACWI ex USA
UMB Scout International	MSCI EAFE Growth
Oppenheimer Developing Markets	MSCI EM
Acorn International Institutional	MSCI World ex USA
Artisan Intl Value Fund	MSCI ACWI ex USA
<b>Fixed Income</b>	
Wm. Blair Aggregate Bond	Barclays Aggregate
Mitchell Vaught & Taylor High Quality Bond	Barclays Intermediate Govt

## **SAMPLE ACKNOWLEDGEMENT OF FIDUCIARY**

[Investment manager], an SEC registered investment advisor under the Investment Advisors Act of 1940, hereby acknowledges that it is a fiduciary within the meaning of the Illinois Pension Code to the Hoffman Estates Firefighters Pension Fund under its contract with said fund, and that it is and has acted as a fiduciary under all its contracts with said fund from the inception of the relationship.

[Investment manager], shall follow the investment policy of the Hoffman Estates Firefighters Pension Board and will invest in accordance with the appropriate Illinois Pension Code as permitted under 40 ILCS 5/1-113, 3/135 and the Public Funds Investment Act, 30 ILCS 235/0.01-7.

---

Authorized Signor