

**VILLAGE OF FOREST PARK, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2011**

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

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

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Assets	<u>\$ 14,154,043</u>	<u>\$ 13,567,778</u>
Market Value	<u>\$ 14,154,043</u>	<u>\$ 13,567,778</u>

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

Estimated Receipts - Employee Contributions	<u>\$ 183,300</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$ 1,061,600</u>
Municipal Contributions	<u>\$ 770,226</u>

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

Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance	<u>\$ 994,572</u>
Private Actuary	
Recommended Municipal Contribution	<u>\$ 770,226</u>
Statutory Municipal Contribution	<u>\$ N/A</u>

**VILLAGE OF FOREST PARK, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2011**

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

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Net Income Received from Investment of Assets	<u>\$ 1,285,642</u>	<u>\$ 1,966,861</u>
Assumed Investment Return		
Illinois Department of Insurance	<u>7.00%</u>	<u>7.00%</u>
Private Actuary	<u>7.50%</u>	<u>7.50%</u>
Actual Investment Return	<u>9.28%</u>	<u>15.21%</u>

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

Illinois Department of Insurance - Actuarial Report	<u>\$ 49,729</u>
Private Actuary	<u>\$ N/A</u>

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

Number of Active Members	<u>23</u>
--------------------------	-----------

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

	<u>Number of</u>	<u>Total Amount Disbursed</u>
(i) Regular Retirement Pension	<u>15</u>	<u>\$ 910,586</u>
(ii) Disability Pension	<u>6</u>	<u>\$ 244,319</u>
(iii) Survivors and Child Benefits	<u>7</u>	<u>\$ 201,567</u>
Totals	<u>28</u>	<u>\$ 1,356,472</u>

**VILLAGE OF FOREST PARK, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2011**

8) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	<u>52.03%</u>	<u>50.08%</u>
Private Actuary	<u>62.60%</u>	<u>60.20%</u>

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

Unfunded Liability:

Illinois Department of Insurance	<u>\$ 12,507,352</u>
Private Actuary	<u>\$ 8,107,821</u>

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

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

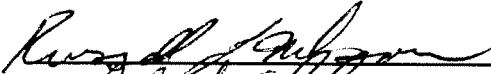
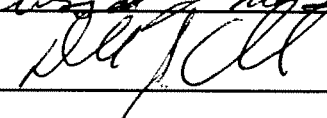
Investment Policy - See Attached

Please see Notes Page attached

CERTIFICATION OF MUNICIPAL FIREFIGHTERS'
PENSION FUND COMPLIANCE REPORT

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

Adopted this 14th day of Oct., 2011

President	<u></u>	Date	<u>14 Oct 2011</u>
Secretary	<u></u>	Date	<u>10-14-11</u>

**VILLAGE OF FOREST PARK, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2011**

INDEX OF ASSUMPTIONS

- 1) Total Assets - as Reported in the Audited Financial Statements for the Years Ended April 30, 2011 and 2010.

Market Value - Same as Above.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended April 30, 2011 plus 5% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest \$100.

Estimated Receipts - All Other Sources

Investment Earnings - Cash and Equivalents and Investments as Reported in the Audited Financial Statements for the Year Ended April 30, 2011, times 7.5% (Actuarial Investment Return Assumption) Rounded to the Nearest \$100.

Municipal Contributions - Tax Levy Requirement as Reported by Timothy W. Sharpe, Actuary, Actuarial Valuation for the Year Ended April 30, 2010.

- 3) Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance - Suggested Amount of Tax Levy as Reported in the April 30, 2010 Actuarial Valuation.

Private Actuary

Recommended Amount of Tax Levy as Reported by Timothy W. Sharpe, Actuary in the April 30, 2010 Actuarial Valuation.

Statutorily Required Amount of Tax Levy - No amount has been provided in a April 30, 2010 Private Actuarial Valuation at the time of this report.

**VILLAGE OF FOREST PARK, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2011**

INDEX OF ASSUMPTIONS - Continued

- 4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended April 30, 2011 and 2010

Assumed Investment Return

Illinois Department of Insurance - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the April 30, 2010 and 2009 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Timothy W. Sharpe, Actuary, April 30, 2010 and 2009 Actuarial Valuations.

Actual Investment Return - Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning and End of Year Cash and Cash Equivalents and Investments as Reported in the Audited Financial Statements for the Fiscal Years Ended April 30, 2011, 2010 and 2009

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

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

- 6) Number of Active Members - Illinois Department of Insurance Annual Statement for April 30, 2011 - Schedule P

(i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for April 30, 2011 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed

(ii) Disability Pension - Same as above

(iii) Survivors and Child Benefits - Same as above

**VILLAGE OF FOREST PARK, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending April 30, 2011**

INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the April 30, 2010 and 2009 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the Timothy W. Sharpe, Actuary, April 30, 2010 and April 30, 2009 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) as Reported in the April 30, 2010 Actuarial Valuation.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Timothy W. Sharpe, Actuary in the April 30, 2010 Actuarial Valuation.

PF 61
1511-6
8280 1/05
156-2
KMK 7/07

COPY

**INVESTMENT POLICY STATEMENT
OF THE FOREST PARK FIREFIGHTERS' PENSION FUND**

The Village of Forest Park Firefighters' Pension Fund is a defined benefit, single employer pension plan. Although a single employer pension plan, the defined benefits, as well as the employee and employer contribution levels are mandated by Illinois State Statutes and may be amended only by the Illinois State Legislature. The Plan provides retirement, death and disability benefits for its participants.

I. STATEMENT OF PURPOSE

The purpose of this statement is to establish a clear understanding, between the trustees of the Forest Park Firefighters' Pension Fund and investment consultants, advisors and brokers regarding investment objectives, goals and guidelines for the portfolio.

This statement is intended to provide meaningful guidance relating to the management of the Fund's assets and is not meant to be overly restrictive given the changing economic, business, political and investment market conditions.

This document should be reviewed on an annual basis by the Board and all modifications should be conveyed to the investment advisors working with the Pension Fund.

II. INVESTMENT OBJECTIVES

The foremost purpose of the Fund is to provide for the payment of pension benefits to current eligible beneficiaries and future beneficiaries over an infinite period of time.

In this context, the Fund should be managed in a prudent manner as it relates to such issues as expected long-term rates of return, return volatility, investment vehicles, and diversification among individual securities.

Within this framework the primary objective is:

LONG TERM GROWTH OF ASSETS

It is important that over the long term, the assets of the plan and their purchasing power should be preserved. To preserve the Fund's assets, the significant eroding effect that inflation has on all financial assets, needs to be considered

This objective does not exclude the possibility of short-term losses in individual securities but rather embraces preservation of asset valuation on a long-term basis. Asset growth, exclusive of contributions and withdrawals, should be positive and will come from interest, dividend income, or capital gains. Within this framework, the plan's objective is to maximize its return, while minimizing its risk.

III. INVESTMENT GOALS

Based on the investment objectives stated above, the primary goal of the Fund is:

A total return over a 5 year investment horizon that exceeds the rate of inflation plus 2.5% (250 basis points) as measured by the Consumer Price Index. (CPI).

The secondary goal of the Fund is:

- 1) To achieve the actuarial rate of return used in the Plan's actuarial report.
- 2) Over the long-term, to achieve a total return that exceeds the return of a balanced index comprised of the Standard & Poor's Stock Index. (S&P 500), the Lehman Brothers Government Bond Index, and the Lehman Brothers 90-Day Treasury Bill Index in similar proportion to the Fund's portfolio asset allocation mix.

The Fund shall generally display an overall level of risk (volatility) in the aggregate portfolio which is comparable to the risk (volatility) associated with the benchmarks specified above.

The Board of Trustees understands that in order to achieve its objectives for the Fund's assets, the Fund will experience volatility of returns and fluctuations of market value as well as periods of negative total return. Negative total return will be reviewed in relation to the appropriate market indices.

Performance will be reviewed for the following periods: The most current quarter, year-to-date, one, three, and five years, and since inception.

IV. INVESTMENT INSTRUMENTS

As a unit of local government in the State of Illinois, the Forest Park Firefighters' Pension Fund is restricted by the Illinois Revised Statutes, 40 ILCS 5/4-123, 40 ILCS 5/1-113.2 "to draw and invest funds" to the following types of securities:

1. Interest bearing bonds or tax anticipation warrants of the United States of America, or the State of Illinois, or of any county, township, or municipal corporation of the State of Illinois.
2. Insured liquid capital accounts of state chartered savings and loan associations.

3. Insured liquid capital accounts of a federally chartered savings and loan association if the liquid capital accounts are insured by the Federal Savings and Loan Corporation (which is now The Savings Association Insurance Fund).
4. Insured investments in credit unions if the investments are insured by the National Credit Union Administration.
5. In savings accounts or certificates of deposit of a national or state bank. These accounts must be insured by "The Bank Insurance Fund" which in the past was called The Federal Deposit Insurance Corporation (FDIC).
6. Contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized to do business in the State of Illinois.
7. Separate accounts of a life insurance company authorized to do business in the State of Illinois, comprised of common or preferred stocks, bonds, or money market instruments.
8. Separate accounts of a life insurance company authorized to do business in the State of Illinois, comprised of real estate or loans upon real estate secured by first or second mortgages.

V. INVESTMENT PERFORMANCE REVIEW

The Fund and the Investment Manager's performance results will be measured on a quarterly basis. The Fund's performance will be measured against commonly accepted market comparisons (Indexes). This review should answer these basic questions:

1. Did the Fund's results meet the stated objectives?
2. What market conditions existed during the review period?

This review will verify if the investment results are consistent with the objectives and goals set forth in the Investment Policy Statement.

VI. INVESTMENT PARAMETERS

- 1. The Board of Trustees has adopted the asset allocation policy shown below for Fund assets. Target percentages have been determined for each asset class along with allocation ranges. Percentage allocations are intended to serve as guidelines: the Board will not be required to remain strictly within the designated ranges. Market conditions or an investment transition may result in a temporary imbalance of the asset mix.

	<u>MINIMUM</u>	<u>TARGET</u> ^B	<u>MAXIMUM</u>
Equities (separate account)	10.0%	35 to 45%	45.0%
Fixed Income	55.0%	55 to 75%	89.0%
Cash	1.0%	2 to 10%	25.0%

- 2. Cash investments shall be defined as funds which can be quickly liquidated without loss of principal (normally, maturities of 3 months or less). Please note that a 25% cash position is allowed only under the assumption of extreme market conditions and should be limited to a 6-month time period. Before or at that point, the Financial Advisor should address the Board concerning the cash position.
- 3. Fixed Income investments shall be defined as government bonds, certificates of deposit, fixed annuities or guaranteed investment contracts of an insurance company and commingled trust accounts which only invest in the above-described investment vehicles.

The fixed income portfolio should be structured allowing for a duration between 3 and 8 years. ^E

A maximum of 40% of the bond portfolio may have maturities of 15 years or longer.

No more than 40% of the fixed income portfolio will be in zero coupon bonds.

- 4. Equity investments shall be defined as investments in common, preferred, or convertible preferred stocks, mutual funds or separate accounts of a life insurance company.

VII. COMMUNICATIONS

Listed below are the reports required and the appropriate individuals who will receive copies of these reports.

- A. Trade confirmations President & Secretary/Treasurer of the Fund
- B. Monthly Statements President & Secretary/Treasurer of the Fund
- C. Quarterly Performance President & Secretary/Treasurer of the Fund

The Pension Board expects to meet with the Financial Advisor semi-annually.

It is the Pension Board's responsibility to relate to the Financial Advisor any changes that might affect the investment of the Fund's assets.

VIII. SAFEKEEPING OF INVESTMENTS

As stated in the Illinois Pension Code, all investments shall be clearly held and accounted for to indicate ownership by such Board. The Board may direct the registration of securities in their own name or in nominee name for the expressed purpose of registration of securities by a national or state bank or trust company authorized to conduct a trust business in the State of Illinois.

IX. PARTIES ASSOCIATED WITH THE PLAN

- A. The Board of Trustees for the Forest Park Firefighters' Pension Fund:
 - 1. Holds ultimate responsibility for the Fund and the appropriateness of its investment policy and its execution.
 - 2. Retains consultants, money managers, and other advisors to implement and execute investment policy as it relates to the Fund.
 - 3. Reviews the adequacy or need for change of this statement.
 - 4. Meets quarterly and reviews reports concerning the Fund's asset management.
 - 5. Engages a custodian.

6. Defines investment policy, objectives and guidelines for the Fund including risk tolerance.
7. Administers the Fund in accordance with the Illinois Pension Code, Illinois Compiled Statutes Chapter 40, Act 5, Articles 1. and 3, and the Public Investment Act, Illinois Compiled Statutes, Chapter 30, Act 235.
8. The signature of the Fund's President and Secretary/Treasurer will be required in all documents related to the engagement investment contracts. All administrative documents may be signed by the President.

B. Custodian

1. Accepts possession of securities for safekeeping; collects and disburses income; collects principal of sold, matured or called items; and provides accurate, timely market value pricing, including accrued interest for all securities under their care. 62
2. Provides timely monthly statements which accurately detail all transactions in the accounts as well as accurately describe all of the securities owned.
3. Effects receipt and delivery following purchases and sales of securities on a timely and accurate basis.
4. Ensures that all cash is productively employed at all times.
5. Meets as required with the Board of Trustees and provides reports relative to the status of the Plan.

C. Financial Advisor

1. Assists the Board of Trustees in developing investment policy guidelines, including asset class choices, asset allocation targets and risk diversification.
2. Provides the Board of Trustees with objective information on a broad spectrum of investment decisions, and assists in evaluating the merits of each particular investment product and money manager as it relates to risk and return.
3. Monitors the performance of the overall Fund and provides reports to the Board of Trustees, which aid them in determining the progress toward the Fund's investment objectives.

X. APPROVED INVESTMENTS

The following is a list of approved investments as reflected in the Illinois Pension Code. This list may not be all inclusive and may change as directed by the Department of Insurance. The purpose of this list is to be used as a guideline to what are permissible investments for the Forest Park Firefighters' Pension Fund. When in doubt, review with your consultant, advisor or the Department of Insurance.

PERMISSIBLE INVESTMENTS

1. U.S. Treasury bills, notes and bonds
2. Federal Housing Authority bonds
3. Government National Mortgage Association (GNMA)
4. Federal Home Loan Mortgage Corp.
5. Farmers Home Administration bonds
6. General Services Administration bonds (GSA)
7. Federal Farm Credit Corp.
8. Federal Intermediate Credit Banks
9. Tennessee Valley Authority
10. Federal Land Banks
11. Certificates of Deposit
12. Zero Coupon U.S. Treasury Bonds -Strips Only
13. Guaranteed Investment Accounts of an insurance company
14. Credit Unions, if insured
15. Federal National Mortgage Associates bonds (Fannie Mae)
16. Federal Home Loan Bank bond (FHLB)
17. Student Loan Marketing Association (Fannie Mae)
18. State Investment Pools
19. Bank Pool Funds: must follow state statutes regarding approved investments
20. Money Market Mutual Funds-U.S. Government Securities only
21. Commercial Paper-with restrictions on quality
22. Separate accounts of life insurance companies (stocks, bonds and real estate)

Through **separate accounts** with an insurance company registered to do business in the state of Illinois:

1. Common stocks
2. Preferred stocks
3. Bonds including corporate issues
4. Real Estate
5. Real Estate loans secured by first and second mortgages

The Fund is not obligated to use all of the above listed investment instruments. They are listed only as a reference.

XI. INVESTMENT RESTRICTIONS

The trustees of the Forest Park Firefighters' Fund have determined the following actions to be inappropriate and totally prohibited:

1. Any margin (borrowing) of securities
2. Purchase or sale of commodities or options
3. Purchase of individual common stocks
4. Purchase of individual corporate bonds
5. Any investment that would jeopardize the integrity of the Forest Park Firefighters' Pension Fund or cause the trustees to violate their fiduciary duties.
6. Any investment made without the express written approval of the trustees of the Forest Park Firefighters' Pension Fund.

XII. SUMMARY

All investments are to be made in a prudent manner. That is, with the same care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person would use considering the primary objective of preserving one's capital. ✓

The trustees are required to conduct themselves faithfully and exercise sound direction and to perform those duties in the same fashion as other persons of like intelligence and discretion.

It is expected that all assets will be managed so that the results will meet the objectives and goals set forth in this statement.

This statement is intended to be used as a guideline rather than a rigid statement of policy from which there can be no deviations. This statement should be reviewed annually and changes made only after review by the Board and the Financial Advisor. It is the sole responsibility of the Board to establish and maintain this written policy.

We the trustees of the Forest Park Firefighters' Pension Fund affirm that the information contained in this Investment Policy Statement accurately reflects our Fund's investment profile and our investment objective and goals.

We adopt this statement as our investment policy.

Dated: 4-3-2006

Mano T. Trivini

President
Trustee

Vanessa Moritz

Secretary
Trustee

Russell Wilson

Trustee

Mark Mayleth

Trustee

Clifford J. Zeb

Trustee

Trustee

Attorney

Investment Advisor

Investment Advisor

James A. Gleason

Investment Consultant