



**CITY OF ELMHURST**  
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CITY MANAGER


November 10, 2014

To: Marilyn Gaston  
Finance Director

From: Craig Burda  
President  
Elmhurst Firefighter's Pension Fund

RE: Tax Levy

The Elmhurst Firefighter's Pension Fund recommends the tax levy in the amount of \$1,654,563 as recommended from the Finance Committee of the City Council, also find attached per State requirement the Municipal Compliance Report.

  
Craig Burda, President

CB:lgw

# City of Elmhurst, Illinois

## Report By the Firefighters Pension Board to City Council

FY 2013 (Ending December 31, 2013)

The board shall report to the city council of the municipality on the condition of the pension fund at the end of its most recently completed fiscal year. The report shall be made prior to the council meeting held for appropriating and levying taxes for the year for which the report is made.

The pension board in the report shall certify and provide the following information to the city council of the municipality:

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

	FY 2013
	Total Assets
Book Balance	\$ 29,582,250
Market Value	\$ 34,601,524

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

	Est. FY 2014
	Receipts
Employee Contributions	\$ 390,900
Interest Income	\$ 695,000
Property Taxes	\$ 1,618,831
Replacement Taxes	\$ 51,300

- 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:

	Est. FY 2014
	Obligations
Pension Payments	\$ 2,374,800
Annual Required Contribution	\$ 1,618,831

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

	Current Fiscal Year (2013)	Prior Fiscal Year (2012/13)
Net Income	\$ 2,172,706	\$ 2,815,643
Actual Investment Return	10.06%	9.47%
Assumed Investment Return	7.00%	7.25%

- 5) The increase in employer pension contributions that results from the implementation of the provisions of this amendatory Act of the 93rd General Assembly (PA 93-0689);

Estimated employer pension contribution increase	\$ 80,942
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- 6) The total number of active employees who are financially contributing to the fund:

FY 2013 total number of employees financially contributing to fund

44

- 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:

	Amount	Number
Regular Retirement Pensions	\$ 1,206,140	30
Disability Pensions	\$ 65,376	3
Survivor/Children Pensions	\$ 145,055	7
Total Pension Benefit Payments	\$ 1,416,571	40

- 8) The funded Ratio of the fund:

FY 2013 Funded Ratio

71.47%

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

FY 2013 Unfunded Liability

\$ 13,812,247

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:

See attached

#### CERTIFICATION OF MUNICIPAL FIREFIGHTERS PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Firefighters 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 12TH day of NOVEMBER, 2014

President



Date

11/12/14

Secretary



Date

11/12/14

# **Elmhurst Firefighters Pension Fund**

## **INVESTMENT POLICY**

### **I. PURPOSE**

THE BOARD OF THE FIREFIGHTERS PENSION FUND OF THE CITY OF ELMHURST, ILLINOIS (BOARD) hereby sets forth this statement of investment objectives and policies in order to:

1. Establish a clear understanding of the investment policies and objectives for the City of Elmhurst Firefighters Pension Fund (the Fund).
2. Develop specific Guidelines and limitations for the BOARD and its investment manager(s) to insure that assets are being managed in accordance with its investment policies and objectives.
3. Provide a basis for the evaluation of the investment performance of funds.
4. It is the purpose of this BOARD to achieve and maintain 100% funding, thru proper and adequate funding and prudent investments.

It is the intent of this statement to provide investment objectives, which are sufficiently specific to be meaningful, but sufficiently flexible to be practicable. These objectives are designed to establish an attitude and philosophy, which will guide the BOARD toward the desired investment performance.

### **PURPOSE OF THE FUND**

The City of Elmhurst Firefighters Pension Fund (the Fund) is a contributory pension plan for the purpose of providing retirement and/or disability benefits to firefighters, their surviving spouses and children. Contributions to the plan come from active duty firefighters and from taxes upon the City.

### **II. INVESTMENT OBJECTIVES**

The BOARD seeks safety of its principal as its primary investment objectives. The fund's is long term in nature, providing retirement or disability income to qualified beneficiaries. Preservation of capital over a market cycle is of paramount importance. This preservation requirement shall not be imposed on each individual investment, but rather on the entire Fund balance. A full market cycle will be considered to be three to five years.

Secondarily, the BOARD wishes to attain a market rate of return on its investments, consistent with constraints imposed by its safety objectives, cash flow considerations and Illinois State Laws that restrict the placement and investment of public funds. Since the investment environment may be volatile during certain periods, relative investment performance comparisons will be included in the performance standards.

### **III. DELEGATION OF AUTHORITY**

Management, responsibility for the investment program is borne by the BOARD, who shall establish written procedures and investment Guidelines for the operation of the investment program, consistent with this investment policy. Such Procedures and Guidelines may include explicit delegation of authority to other persons responsible for investment transactions and investment records. No person may engage in an investment transaction except as provided under the terms of this policy and the Procedures and Guidelines established by the BOARD. The BOARD shall be advised of and have oversight over all appointees of the BOARD, and shall establish a system for internal controls to regulate the activities of the Investment Manager(s).

### **IV. PRUDENCE**

Investments shall be made with judgment and care, under circumstances then prevailing, with persons of prudence, discretion, and intelligence, experience in the management of their own affairs, not for speculation, but for investment, considering the primary objective of safety as well as the secondary objective of the attainment of market rates of return. The standards of prudence to be used by investment official shall be that of a "Prudent Person", and shall be applied in the context of managing an overall portfolio. The members of the BOARD and other City Officials acting in accordance with written Procedures and exercising due diligence, shall be relieved of personal responsibility for an individual security's credit risk or market price changes, provided that deviations from expectations are reported in a timely fashion, and appropriate action is taken to control adverse developments.

### **V. INVESTMENT INSTRUMENTS**

As a unit of local government in the State of Illinois, the Fund is restricted by the Illinois Revised Statutes, Chapter 108½, Article 4-128, "**TO INVEST FUNDS**", in the types of investments it may purchase. Permitted investments shall at all times conform to current State Law. A detailed list of permitted investments are shown in the accompanying Guidelines. The BOARD shall reserve to itself the authority to exclude from the Fund's list of permitted investments, certain securities, even though these securities may be permitted by State Law.

## VI. INVESTMENT PARAMETERS - Certificates of Deposit

It is the policy of the Board to include investments in Certificates of Deposit. The investments of Certificates of Deposit will be selected on the following basis:

1. The institution offering the investment must meet all the criteria as stated in the "Financial Institutions" section of this policy statement.
2. The duration of the investment must coincide with cash requirements of the Fund to meet short term or long term needs.
3. The rate of interest on the investment must be at least equivalent to the average rate of return available on comparable Certificate of Deposit.
4. These investments of the Fund are to be authorized by the BOARD unless they are being made by an investment manager as part of his normal investment strategy.
5. All Certificates of Deposit purchased must be fully insured.
6. Where the certificates of deposit exceed the insurable limit, the certificates of deposit shall be collateralized at 110% of the value of the certificate of deposit.

## VII. FINANCIAL INSTITUTIONS

It is the policy of the BOARD to purchase savings accounts, Certificates of Deposit and other time accounts for the Fund from financial institutions. Financial institutions will be required to meet the following criteria in order to receive Fund monies for investment:

1. **Insurance** Public funds shall be deposited only in Financial institutions insured by the Bank of Insurance Fund under the management of the Federal Deposit Insurance Corporation (FDIC), the Saving Association Insurance Fund under the management of the FDIC, or the National Credit Union Administration (:NCUA:).
2. **Disclosure** Each financial institution shall furnish corporate authorities with a copy of all statements of resources and liabilities, which it is required to furnish to the Commissioner of Banks and Trust Companies or the Comptroller of Currency.

## **VIII. INVESTMENT COMMITTEE**

The entire Board shall act as investment committee members. Members of the Board shall meet at least quarterly to discuss policy changes, determine general strategies and to monitor results. The Committee shall include in its deliberations such topics as: potential risks, authorized depositories, rate of return and maturity structure. The BOARD shall be fully empowered to manage all of the assets of the Fund. They shall prepare written investment Procedures and Guidelines.

The committee shall require monthly written statements from the custodian(s) of the Fund's assets. It shall also require monthly written statements from the entities that execute transactions on behalf of the Fund. Further, if investment managers have been appointed by the BOARD, the quarterly monitoring reports should be sent to this committee.

The committee may set up its own schedule for meeting with these various appointees of the BOARD.

## **IX. INTERNAL CONTROLS**

The President of the BOARD shall establish a system of internal controls, which shall be documented in writing. The internal controls shall be reviewed by the investment committee and the independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, and misrepresentation by third parties, unanticipated changes in financial markets, or imprudent actions by officers, employees or appointees of the BOARD.

## **X. INVESTMENT MANAGER**

The BOARD can enter into an agreement whereby it hires an investment manager to manage all or part of the Fund. All agreements with said investment manager shall be in writing. All investments made by said manager shall conform to Article five of this policy and with the investment Guidelines and Procedures. The manager and/or an appointee of the BOARD shall report at least quarterly to the investment committee. If there is any change in the Manager's investment policy the Manager shall notify the board and receive the Board's approval before acting on these changes.

The BOARD will satisfy itself that all investments made by the investment manager are in compliance with Illinois Law, this document and applicable Procedure and Guidelines adopted by the BOARD. This shall not relieve the Manager from his responsibility in this matter.

The manager shall be sent a copy of this investment policy statement, a copy of the pertinent sections of Illinois State Law, and the Guidelines and Procedures adopted by the BOARD that are pertinent to his duties and obligations.



## **XI. CUSTODY OF ASSETS**

All investments of the ELMHURST FIREFIGHTERS PENSION FUND shall be clearly held and accounted for to indicate ownership by the BOARD. The Board will direct the registration of securities in its own name or in the name of MB Financial Bank, as agent for Elmhurst Firefighters Pension Fund Board of Trustees, created for the express purpose of registration of securities.

The BOARD will approve custodians specifically. Approved custodians shall be subject to regulatory oversight, especially federal, and shall carry insurance against fraud, theft and malfeasance.

Fund assets cannot be held in the name of the BOARD's investment manager(s) and trade confirmation receipts, in lieu of SAFE-KEEPING receipts, shall be issued to the Board.

## **XII. MONITORING OF RETURNS**

Investments of the Fund will be monitored continuously, with monitoring reports submitted to the Board quarterly. There will be separate reports for each investment manager. The monitoring reports will derive rates of return on a time-weighted basis, using the standard calculation. Notwithstanding permitted accounting practices, for purpose of investment review, all securities will be valued at their current market value.

Over the long term, the investment performance goal of the Fund will be set by the investment committee and ratified by the BOARD. The current performance goal(s) are found in the Guidelines.

It will be the function of the monitoring services to compare the Fund's return to the selected benchmarks for like periods of time. If there appears to be a negative pattern of divergence between the performance of the Fund and the comparative benchmarks, the monitor will be aware of the divergence and will advise the BOARD accordingly.

Annually, irrespective of whether such problems arise, the monitor must present to the BOARD a review of the Fund's investment performance. The review should include both the year just past and years prior.

## **XIII. REPORTING - INTERIM AND ANNUAL**

The President and the investment committee of the BOARD shall be in receipt of and shall submit a quarterly report that discloses all transaction made, on a monthly basis for that quarter. Copies shall be transmitted to the BOARD and independent auditor. The monthly report shall be reviewed in detail by the investment committee and the Committee shall ask for more detail from the insurer regarding the contents of the report as deemed necessary.



The comprehensive annual financial report shall include twelve month comparisons of rate of return. This information shall be included in the Manager's yearly report.

These reports may be added to or derive from reports from various appointees. These appointees' reporting requirements shall be detailed in the investment Guidelines.

#### **XIV. CONFLICTS OF INTEREST**

No person who is a plan participant or member of the Board may derive any monetary benefit from the investment or management of Fund assets beyond his or her normal pension or disability benefit or customary BOARD fees.

#### **XV. EFFECTIVE DATE**

This policy was prepared under the authority of the BOARD. The policy shall be effective immediately. A copy of the policy shall be distributed to the members of the BOARD, independent auditor of the Fund and to other appointees, as determined appropriate by the BOARD. The current Guidelines and Procedures are to be considered a part of this document.

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## **ELMHURST FIREFIGHTERS PENSION FUND INVESTMENT GUIDELINES**

### **I INVESTMENT INSTRUMENTS**

The Fund may invest in any type of investment instrument permitted by Illinois law, as described in Chapter 40 of the Illinois Compiled Statutes, 40 ILCS 5/1-113.1 through 113.40. Permitted investment instruments include, but are not limited to:

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" include:
  - a. The Federal National Mortgage Association.
  - b. 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
  - c. Federal Home Loan Banks and the Federal Home Loan Mortgage Corporation
  - d. 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, or 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.
5. Interest bearing bonds of the State of Illinois. Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
6. 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:

- a. 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.
  - b. Bonds, notes, debentures, or other similar obligations of the United States of America or its agencies.
7. In addition to the items listed above, a pension fund with net assets of \$2,500,000 or more may invest a portion of its net assets in 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 five years.
  - c. The mutual fund has total net assets of \$250 million or more.
  - d. The mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.

The Fund's investment in the above equity investments (10 and 11) shall not exceed 35% (for funds of \$2,500,000 or more) of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

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

## II PERFORMANCE MEASUREMENTS

Performance will be calculated using professional standards as established by the Association for Investment Management Research. The Pension Board shall utilize the following benchmarks for evaluating the Fund's performance:

<u>Application</u>	<u>Benchmark</u>
Cash Equivalents	90 day U.S. Treasury Bills
Fixed Income	Merrill Lynch Treasury/Agency Index
Large Capitalization Equities	Standard & Poors 500 Stock Index
Small Capitalization Equities	Russell 2000 Stock Index
International Equities	Morgan Stanley Capital International Europe/Australia/Far East Index

### III CONTROLS

The Fund maintains its books and records in conformance with generally accepted accounting principles. The internal controls shall be reviewed by the Pension Board and an independent auditor. The controls shall be designed to prevent losses of public funds arising from fraud, employee error, misrepresentation by third parties, unanticipated changes in financial markets or imprudent actions by employees and officers of the Pension Board.

### IV DIVERSIFICATION / STRATEGY

#### Fixed Income

The average maturity/duration of the portfolio will be managed based upon the current existing interest rate environment. Under most circumstances the maturity/modified duration of the portfolio will be maintained at approximately 5.0 years and will range from 2.0 years to 7.0 years. The investment manager may change the duration of the portfolio as the market conditions permit.

The allocation guidelines, by asset class, for the fixed income investments are as follows:

	Normal Allocation <sup>3</sup>	Range of Allocation
Cash, Money Market, IPTIP accounts <sup>1</sup>	0%	0 - 40%
Bank Certificates of Deposit <sup>2</sup>	0%	0 - 40%
U.S. Treasury Securities	45%	10 - 100%
U.S. Government Agency Securities	40%	0 - 70%
U.S. Government Agency MBS	5%	0 - 10%
Taxable Municipal Securities	10%	0 - 25%

#### Notes

1. Cash will be maintained to manage cashflow of the Fund or as a transition asset.
2. Bank certificates of deposit will only be used if market returns are favorable. They will be used as a substitute for the Treasury and Agency portion of the portfolio.
3. Under normal market conditions the structure of the portfolio will be within these limits, however, the portfolio manager may diverge from the above suggestions due to abnormal market conditions.

#### Equities

Once the fund reaches the equity allocation approved by the Board and permitted by law, normal asset allocation range for equity portfolio allocation weightings should be:

	Normal Allocation		Range of Allocation
U.S. Large Company Stocks	60%	+/-	30%
U.S. Small Company Stocks	20%	+/-	20%
International	20%	+/-	10%

Portfolio allocations should be rebalanced annually or at the end of any quarter when the portfolio allocation to equities rises above 45% of total Fund assets.

## V APPOINTEES

### A. Investment Manager

The Fund's investment manager(s) will have the following characteristics.

1. Registered Investment Advisor or Trust Department (see proposed changes to pension act).
2. Experience in management of portfolios of U. S. Treasury securities.
3. References.
4. Outside consultant's favorable opinion.
  
5. If multiple managers are hired, dissimilar investment styles.
6. Accepts a minimum account of \$5,000,000.
7. An investment style with which the Board feels comfortable, taking into consideration the fiduciary responsibilities of the Board.
8. Track record of at least five years and preferable ten years showing superior risk/reward characteristics.
9. Continuity of the key investment people in the firm.
10. Timely and understandable portfolio reporting to clients.

Any manager hired by the BOARD will, to the best of their ability, see that transactions that they order for the Fund are executed at the best possible prices.

Investment management fees will be debited from the account assets at MB Financial Bank.

The BOARD may change investment manager(s) at its discretion.

The securities of the Fund may not be hypothecated (lent) to another party without the BOARD's permission. If the BOARD does agree to hypothecate its securities, a proper system will be devised to compensate the Fund for such activity.

Other indices may also be used to bring perspective to the returns.

Any of the following occurrences will cause for a full review by the BOARD of any investment manager.

1. Yearly performance of less than 80% of the comparative index and volatility in excess of 120% of the comparative index.
2. A quarterly loss in market value in excess of 5%.
3. Cumulative or running quarterly losses in excess of 5%.
4. Lack of continuity of key investment people in the investment management organization.
5. At the discretion of the Board.

## **VI     REPORTING**

All reports listed below will be written and timely.

Manager - Monthly and quarterly

Broker - per transaction plus a monthly recap

## **VII    FEES**

It is the intent of the BOARD that the following fees will be paid:

Each manager will be paid an agreed fee not greater than 2/10 of 1% of the market value of the FUND at the time of billing.

This Investment Policy, while not legally binding reflects the clear desire of the BOARD of the FIREFIGHTERS PENSION FUND of the City of Elmhurst, Illinois. It may be amended at any time by a majority of those present at a properly convened BOARD meeting. Those who serve the BOARD in the investment area should comply with this statement.

Dated February 17, 2010

Board of Trustees:

[Signature]  
Paul J. [Signature]  
David Ryer  
Richard P. [Signature]  
   
   
 

#### INVESTMENT MANAGER ACKNOWLEDGEMENT

We agree to abide by the provisions of this Investment Policy and the accompanying Guidelines to the best of our abilities.

Dated February 17, 2010

[Signature]  
MB FINANCIAL BANK, N.A.