City of CHAMPAIGN

REPORT TO CITY COUNCIL

FROM: **Darrell Carlson, President** DLC

DATE: **January 5, 2016**

SUBJECT: **ANNUAL FIRE PENSION FUND REPORT – INFORMATION ONLY**

The attached report fulfills the requirements of Public Act 095-0950, which requires that the Fire Pension Board provide a report on the Fire Pension Fund to City Council. Exhibits 1 and 2, as referenced in the attached report, provide information on the investment policies and actuarial valuation of the Fire Pension.

The estimated amount needed during the next fiscal year (item number four on the attached report) does not come entirely from current funds. It is a combination of amounts budgeted from current funds in addition to the property tax levy that the City will receive later in this year.

Council members are encouraged to contact the Finance Director (who serves as Treasurer of the Fire Pension Fund) with any questions.

Prepared by:	Reviewed by:
Kay M. Nees	Richard A. Schnuer
City Accountant	Finance Director

Attachment: Report of the Board of Trustees of the City of Champaign Firefighters' Pension Fund to the City of Champaign City Council

Report of the Board of Trustees of the City of Champaign Firefighters' Pension Fund to the City of Champaign City Council For the Fiscal Year Ended June 30, 2015 **Attachment**

1.	Total assets in the fund's custody as of June 30, 2015	75,721,738
2.	Current market value of those assets as of October 31, 2015	75,578,231
3.	Estimated receipts during the next succeeding fiscal year from employee contributions	725,000
4.	Estimated amount needed during the next succeeding fiscal year to cover pension payments, employer contributions, & debt reserves	8,348,375
5.	Income from investment of assets for the fiscal year ended June 30, 2015	1,214,983
	Change in fair value of investments for the fiscal year ended June 30, 2015	991,516
6.	Assumed investment return for the fiscal year ended June 30, 2015	7.0%
7.	Actual investment return for the fiscal year ended June 30, 2015	3.00%
8.	Income from investment of assets for the fiscal year ended June 30, 2014	1,530,022
	Change in fair value of investments for the fiscal year ended June 30, 2014	7,343,659
9.	Assumed investment return for the fiscal year ended June 30, 2014	7.0%
10.	Actual investment return for the fiscal year ended June 30, 2014	13.6%
11.	Total number of active employees making contributions to the fund as of June 30, 2015	97
12.	Amount disbursed in benefits for the fiscal year ended June 30, 2015	4,748,865
13.	Number of annuitants receiving a retirement pension for the fiscal year ended June 30, 2015	51
	Amounts of retirement pensions disbursed for the fiscal year ended June 30, 2015	3,217,897
14.	Number of annuitants receiving a disability pension for the fiscal year ended June 30, 2015	13
	Amounts of disability pensions disbursed for the fiscal year ended June 30, 2015	700,693
15.	Number of annuitants receiving a survivor pension for the fiscal year ended June 30, 2015	24
	Amounts of survivor pensions disbursed for the fiscal year ended June 30, 2015	795,774
16.	Funded ratio of pension fund (as of July 1, 2014)	84.3%
17.	Total unfunded liability and actuarial explanation of unfunded liability (as of July 1, 2014) See attached actuarial valuation for explanation of unfunded liability.	13,398,085
18.	Investment policy of the pension board as defined by state statute	Exhibit 1
19.	Lauterbach & Amen Actuarial Valuation 07/01/2014	Exhibit 2

Statement of Investment Policy for the Champaign Firefighters' Pension Fund

Updated February 2013
(Replacing May 2011)

Updated by

MARQUETTE
ASSOCIATES, INC.
180 North LaSalle
Suite 3500
Chicago, IL 60601
312-527-5500

Statement of Investment Policy for the
Champaign Firefighters' Pension Fund

This document serves as the Statement of Investment Policy for the Champaign Firefighters' Pension Fund ("the Pension Fund"). This document is to be revised and updated periodically, as needed. The Pension Fund has been established by the City of Champaign, Illinois and is governed by the Statutes of the State of Illinois. It is a qualified tax-exempt trust designed to provide the Fund members and/or their spouses a pension benefit at the time of retirement or incurred disability.

Distinction of Responsibility

The Board of Trustees' Authority and Responsibilities

The Board of Trustees will conduct their responsibilities with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose. The Board of Trustees may delegate functions that a prudent entity acting in a like capacity and familiar with those matters could properly delegate under the circumstances. The Board of Trustees shall discharge their duties with respect to the Pension Fund solely in the interest of the Pension Fund.

The Board of Trustees will generally be responsible for the following:

1) Complying with applicable laws, regulations, and rulings.
2) Selecting all qualified investment professionals.
3) Monitoring and evaluating investment performance and compliance with this Policy.
4) Reviewing and suggesting changes, as needed, to this Policy.
5) Establishing and reviewing the appropriateness of the Pension Fund's asset allocation policy.
6) Taking action according to this Policy.

The Investment Manager's Authority and Responsibilities

The Board of Trustees will hire competent, registered professional Investment Managers to manage the assets of the Pension Fund. Investment Managers will conduct their responsibilities with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose. Investment Managers have the following responsibilities:

1) Vote proxy issues on securities held. All proxies will be voted exclusively for the best interests of the Pension Fund and their participants. Investment Managers will maintain written policies for proxy voting and keep a proper record of all proxies to which the Program is entitled. A written report will be provided annually.
2) Provide written reports to the Board of Trustees and the Investment Consultant on at least a quarterly basis detailing performance for the most recent period as well as the current outlook of the equity and fixed income markets.

3) Notify the client and the Investment Consultant on a timely basis of any significant changes in the ownership, organizational structure, investment strategy, portfolio design, or configuration of the investment team.

All qualified investment managers retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines for the portfolio(s) they manage on behalf of the Pension Fund (see Addendum A).

The Investment Consultant's Authority and Responsibilities

The Board of Trustees may hire an Investment Consultant to assist the Board of Trustees in fulfilling their Fiduciary responsibilities and in fulfilling their responsibilities in accord with this Policy. The Investment Consultant will conduct their responsibilities with the care, skill, and caution under the circumstances then prevailing which a prudent person acting in a like capacity and familiar with those matters would use in the conduct of an activity of like character and purpose. The Investment Consultant will generally be responsible for the following:

1) Complying with applicable laws, regulations, and rulings.
2) Maintaining databases of qualified Investment Managers and Custodians.
3) If needed, the Investment Consultant will assist the Board of Trustees with the search and selection of Investment Managers and Custodians.
4) Calculate investment performance and reconcile that performance with the Investment Managers.
5) Providing written reports that summarize the performance and analysis of the Pension Fund's investments to the Board of Trustees no later than 45 days after of the end of each calendar quarter.
6) Monitoring and evaluating investment performance and compliance with this Policy. This includes meeting with the Pension Fund's Investment Managers on the Pension Fund on a regular basis.
7) Make long-term assumptions on the capital markets for the purpose of evaluating the Pension Fund's asset allocation policy.
8) Establishing and reviewing the appropriateness of the Pension Fund's asset allocation policy.
9) Reviewing and suggesting changes, as needed, to this Policy.

The Investment Consultant retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines on behalf of the Fund (see Addendum A).

The Custodian's Authority and Responsibilities

The Board of Trustees will select a third party Custodian to safe-keep the assets of the Pension Fund. The Custodian will comply with all of the provisions of the Illinois Pension Code relating to Custody of Investments (40 ILCS 5/1-113.7). The Custodian will perform (but not limited to) the following:

1) hold and safeguard the assets of the Pension Fund,
2) collect the interest, dividends, distributions, redemptions or other amounts due,

3) provide monthly reporting to all necessary parties,
4) forward any proxies to the Investment Manager, the Board of Trustees, or their designee,
5) sweep all interest and dividend payments and any other un-invested cash into a short-term money market fund for redeployment, and
6) other duties as detailed in the respective custodial agreement

The Custodian retained by the Board of Trustees will exercise discretion within the parameters set forth in these guidelines on behalf of the Pension Fund (see Addendum A).

Investment Policy Asset Allocation

In establishing investment policy for the Pension Fund, the Trustees have considered the long-term nature of the asset pool as well as the needs and desires of the participants. In addition, the Trustees considered the risk and return characteristics of the various asset classes available to institutional investors and sought the guidance of outside consultants. The Trustees have established the target asset allocation and permissible percentage ranges shown in the table set forth below

Asset Class	Target	Minimum*	Maximum*
Int. Govt. Fixed Income	17.5%	12.5%	22.5%
Int. Govt/Credit Fixed Income	22.5%	17.5%	27.5%
Total Fixed Income	40.0%	35.0%	45.0%
Core Real Estate	5.0%	0.0%	10.0%
Public REITS	2.5%	0.0%	5.0%
Total Real Estate	7.5%	2.5%	12.5%
Global Tactical Asset Allocation	5.0%	0.0%	10.0%
Total Global Tactical Asset Allocation	5.0%	0.0%	10.0%
Large-Cap Core U.S. Equity	15.0%	10.0%	20.0%
Mid-Cap Core U.S. Equity	10.0%	5.0%	15.0%
Small-Cap Value U.S. Equity	10.0%	5.0%	15.0%
Total U.S. Equity	35.0%	30.0%	40.0%
Core International Equity	10.0%	5.0%	15.0%
Emerging Markets International Equity	2.5%	0.0%	5.0%
Total International Equity	12.5%	7.5%	17.5%
TOTAL	100.0%		

* May not add up to 100%.

Rebalancing

The Trustees will review the asset allocation of the Pension Fund at least quarterly and will adjust the portfolio to comply with the guidelines above as necessary. The Trustees anticipate that the on-going natural cash flow needs of the Pension Fund (contributions and withdrawals) will be sufficient to maintain the allocation of the Pension Fund within policy guidelines under most market conditions.

Investments and Redemptions

Redemptions: The Fund's Treasurer is authorized to redeem investments when cash is needed to meet the Fund obligations. Typically, redemptions will be made once per month. Such redemptions will be made from all investment types on a pro-rata basis.

Investments: The Fund's Treasurer is also authorized to invest cash in excess of the amount needed to meet the Fund's obligations, when the excess cash is $100,000 or greater. This includes investment of property tax receipts and other revenues. Such investments will be made so as to bring total investments in line with the investment policy guidelines, or if that is not possible, as close to the guidelines as possible given the amount funds to be invested. All other investments and redemptions must be authorized by the Board.

Fee Disclosure

All investment professionals contractually agree and shall provide, upon request, full disclosure of direct and indirect fees, commissions, penalties, and any other compensation that may be received by the investment adviser, including reimbursement for expenses (40 ILCS 5/1-113.5).

Investment Objective

The Pension Fund assets are to be managed in accordance with the applicable provisions of the Illinois Pension Code. The primary objectives of the Fund are to: (a) earn the highest possible total return consistent with levels of risk prudent to the cash flow requirements of the Fund, and (b) to create a stream of investment returns to insure the systematic and adequate funding of actuarially determined benefits through contributions and professional management of the Fund assets.

The performance objective for the Pension Fund is to exceed, after investment management fees, the actuarial assumed rate of return of 7.0% and a customized blended benchmark. To evaluate success, the Trustees will compare the performance of the Pension Fund to the actuarial assumed rate of return and the performance of a custom benchmark. This benchmark represents a historical passive implementation of the investment policy targets. The data for this benchmark will be re-balanced quarterly and consist of a weighted average of the investment policy targets, utilizing the appropriate quarterly performance of the market indices and weights of the indices as defined in the investment policy at the time of the performance measurement.

Diversification

The Trustees understand their responsibility to diversify the Pension Fund. By investing the Pension Fund's assets in multiple asset classes and using outside investment managers with well-diversified portfolios, diversification accomplishes its goal of insulating the portfolio from the effects of substantial losses in any single security or sector of the market.

Proxy Voting

The Trustees recognize that proxies are assets of the Pension Fund. The Trustees delegate the responsibility for voting proxies to each investment manager retained to manage the Pension Fund's assets. The Trustees will receive periodic reports from each investment manager for separate or commingled accounts acknowledging that they have voted the proxies.

Portfolio Evaluation

The Pension Fund will be evaluated by an Independent Investment Consultant on a quarterly basis. Written reports will be provided to the Trustees no later than 45 days after the end of each calendar quarter. They will meet with the various investment managers and the Pension Fund on a regular basis to review manager and Fund investment performance, compliance with guidelines, and the asset allocation of the Fund. The investment managers shall also provide written reports to the plan sponsor and consultant on a quarterly basis detailing performance for the most recent period as well as the current outlook of the equity and fixed income markets. If needed, the Independent Investment Consultant will assist the Trustees with the selection of investment managers and custodians. Please see Addendum A for the current Independent Investment Consultant of the Pension Fund.

Investment Manager Evaluation Terminology

The following terminology has been devised to facilitate accurate communication between the Investment Manager, Investment Consultant, and the Plan Sponsor. Each term signifies a particular status with the Fund and any conditions which may require improvement. In each case, communication is made only after consultation with the Trustees of the Plan.

Status	Description
"In Compliance"	The investment manager is acting in full compliance with the Investment Policy Guidelines and is performing up to the expectations of the Fund.
"Alert"	The investment manager is notified of a difficulty in his/her performance (usually related to a benchmark, or volatility measure), change in investment characteristics or management style, or any other irregularities for the purpose of improving performance and investment discipline.
"On Notice"	The investment manager is notified of a concern with a continued problem in any of the above issues, which if not improved upon over a specific time frame (usually at least 2 quarters) will be cause for termination.
"Termination"	The Trustees have decided to terminate the manager, a letter has been sent on behalf of the Trustees and transition plans are in place.

Investment Manager Guidelines - Passive Intermediate Government Fixed Income Management

This document contains the guidelines and restrictions that apply to the passive intermediate government fixed income manager of the Pension Fund (see addendum A).

Permissible Fixed Income Investments

1. This fund is governed by the guidelines and restrictions contained in its prospectus or participation agreement and in accordance with Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should replicate or exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines - Active Intermediate Government/Credit Fixed Income Management

This document contains the guidelines and restrictions that apply to the active intermediate government/credit fixed income manager of the Pension Fund (see addendum A).

1) The Investment Manager shall comply with all of the provisions of the Illinois Pension Code relating to Article 4 Pension Funds, specifically Sections 1-113.1, 1-113.2, 1-113.3, 1-113.4, and 1-113.4a relating to Permissible Investments (40 ILCS 5/1-113.1 et. seg.). In accord with the applicable portions of the Pension Code, above referenced, the investment manager may invest in the following fixed income securities:

   a) Interest bearing direct obligations of the United States of America.
   b) 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.
   c) 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.
   d) 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.
   e) Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
   f) Interest bearing bonds of the State of Illinois.
   g) 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.
   h) Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
   i) 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.(See Section 1-113.2(11) for restrictions)

2. Investment grade corporate bonds may be purchased. Corporate bonds must be 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; and (ii) if subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.

3. No single security should comprise more that 5% of the portfolio's overall allocation after accounting for price appreciation. The only exception to this restriction would be a U.S. Government or U.S. Agency security.

4. The average duration of the portfolio is not to vary more than +/-25% of the duration of the appropriate index (see Addendum A).

5. The average quality of the overall portfolio may not be less than AA- rated.

6. The manager may invest up to 10% of its portfolio in cash or cash equivalents.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines - Passive Large-Cap Core U.S. Equity Management

This document contains the guidelines and restrictions that apply to the passive large-capitalization core U.S. equity manager of the Pension Fund (see addendum A).

Permissible Equity Investments

1. This Fund is governed by the guidelines and restrictions contained in its prospectuses or participation agreements and in accordance with the Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should replicate or exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines - Passive Mid-Cap Core U.S. Equity Management

This document contains the guidelines and restrictions that apply to the passive mid-capitalization core U.S. equity manager of the Pension Fund (see addendum A).

Permissible Equity Investments

1. This Fund is governed by the guidelines and restrictions contained in its prospectuses or participation agreements and in accordance with the Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should replicate or exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines – Active Small-Cap Value U.S. Equity Management

This document contains the guidelines and restrictions that apply to the small-capitalization value U.S. equity manager of the Pension Fund (see addendum A).

Permissible Equity Investments

1. The manager is expected to comply with all of the provisions of the Illinois Pension Code relating to Article 4 Pension Funds, specifically Sections 113.1, 113.2, 113.3, 113.4, and 113.4a relating to Permissible Investments (40 ILCS 5/1-113.1 et. Seg.). In accord with the applicable portions of the Pension Code, above referenced, the manager may invest in the following equity securities:

   a) The common stocks are 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 3of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System.
   b) The securities are 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 proceeding 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 does not exceed 5% of the total outstanding stock of the corporation.
   e) The straight preferred stocks or convertible preferred stocks are issued or guaranteed by a corporation whose common stock qualifies for investment by the Board.
   f) The issuer of the stocks has been subject to the requirement of Section 12 of the federal Securities Exchange Act of 1934 and has been current with the filing requirement of the Sections 13 and 14 of that Act during the proceeding 3 years.

2. The manager may invest up to 10% of its portfolio in cash or cash equivalents.

3. Private placements, venture capital, options, or financial futures may not be purchased. The purchase of securities on margin is prohibited.

4. Securities listed on pink sheets may not be purchased or held at any time within the portfolio.

5. No single security in the manager's portfolio will comprise more than 5% of its equity allocation at the time of purchase, nor will it be more than 10% of the equity allocation of the portfolio after accounting for price appreciation.

6. Exchange Traded Funds (ETF's) may be utilized during periods of time when significant cash flows (contributions or withdrawals) are incurred or expected within the

portfolio. ETF's are only to be utilized over very short periods of time. Only ETF's replicating either the Russell 2000 or Russell 2000 Value indices may be utilized.

7. All interest and dividend payments must be swept on a daily basis into a short-term money market fund for re-deployment.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines – Active Core International Equity Management

This document contains the guidelines and restrictions that apply to the active core international equity manager of the Pension Fund (see addendum A).

Permissible Equity Investments

1. This Fund is governed by the guidelines and restrictions contained in its prospectuses or participation agreements and in accordance with the Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines - Passive Emerging Markets International Equity Management

This document contains the guidelines and restrictions that apply to the passive emerging markets international equity manager of the Pension Fund (see addendum A).

Permissible Equity Investments

1. This Fund is governed by the guidelines and restrictions contained in its prospectuses or participation agreements and in accordance with the Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should replicate or exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines – Active Core Real Estate Management

This document contains the guidelines and restrictions that apply to the active core real estate manager of the Pension Fund (see addendum A).

Permissible Investments

1. This Fund is governed by the guidelines and restrictions contained in its prospectuses or participation agreements and in accordance with the Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines – Passive Public REITS Management

This document contains the guidelines and restrictions that apply to the passive public REITS manager of the Pension Fund (see addendum A).

Permissible Investments

2. This Fund is governed by the guidelines and restrictions contained in its prospectuses or participation agreements and in accordance with the Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should replicate or exceed the return of the appropriate benchmark index (see Addendum A).

Investment Manager Guidelines – Active Global Tactical Asset Allocation Management

This document contains the guidelines and restrictions that apply to the active global tactical asset allocation manager of the Pension Fund (see addendum A).

Permissible Investments

1. This Fund is governed by the guidelines and restrictions contained in its prospectuses or participation agreements and in accordance with the Illinois Statutes.

Investment Objective

Over reasonable measurement periods (3 to 5 years), the portfolio's return net of fees should replicate or exceed the return of the appropriate benchmark index (see Addendum A).

Addendum A - Defining the Investments and Benchmark Indexes

Asset Class	Investment Manager	Benchmark Index
Int. Government Fixed Income	Northern Trust	BarCap Int. Government
Int. Govt/Credit Fixed Income	Mesirow	BarCap Int. Govt/Credit
Large-Cap Core U.S. Equity	MetLife	S&P 500
Mid-Cap Core U.S. Equity	Vanguard	MSCI US Mid Cap 450
Small-Cap Value U.S. Equity	Fiduciary Management	Russell 2000 Value
Core International Equity	Manning & Napier	MSCI ACWI ex US
Emerging Markets International Equity	Vanguard	MSCI Emerging Markets
Core Real Estate	Principal	NCREIF
Public REITS	Vanguard	MSCI US REIT
Global Tactical Asset Allocation	PIMCO	CPI + 5%

Investment Professional	Service Provider
Custodian	PNC Bank
Investment Consultant	Marquette Associates, Inc.

Addendum B – Investment Professional Adoption of Policy

This Policy document was adopted by the Board of Trustees for the Champaign Firefighters' Pension Fund on February 19, 2013.

Investment Professional's Acknowledgments:
The firm has received this copy of the Pension Fund's Investment Policy. The firm has studied its' provisions and believe that we can both abide by its restrictions and fulfill its goals and expectations over the timetables set forth in the Policy. Additionally, the firm acknowledges that it is a Fiduciary in regards to the Pension Fund.

Marquette Associates
Firm Name

Investment Professional

2/21/13
Date

Addendum B – Investment Professional Adoption of Policy

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Investment Professional's Acknowledgments:
The firm has received this copy of the Pension Fund's Investment Policy. The firm has studied its' provisions and believe that we can both abide by its restrictions and fulfill its goals and expectations over the timetables set forth in the Policy. Additionally, the firm acknowledges that it is a Fiduciary in regards to the Pension Fund.

MESIROW FINANCIAL
Firm Name

Peter W. Hegel
Investment Professional

March 4, 2013
Date

Addendum B – Investment Professional Adoption of Policy

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FIDUCIARY MANAGEMENT ASSOCIATES, LLC
Firm Name

Kathryn A. Vorisek
Investment Professional KATHRYN A. VORISEK, CIO

3-14-2013
Date

Addendum C – Board of Trustees Adoption of Policy

This Policy document was adopted by the Board of Trustees for the Champaign Firefighters' Pension Fund on February 19, 2013.

Board of Trustees' Acknowledgments:
We have received this copy of the Fund's Investment Policy. We have studied its provisions and believe that we can both abide by its restrictions and fulfill its goals and expectations over the timetables set forth in the Policy.

Trustee	2-19-13 Date
Trustee	2-19-13 Date
Trustee	2-19-13 Date
Trustee	2-19-13 Date
Trustee	2-19-13 Date

Exhibit 2

Lauterbach & Amen, LLP
27W457 Warrenville Road
Warrenville, IL 60555-3902

Actuarial Valuation as of July 1, 2014

CHAMPAIGN FIREFIGHTERS' PENSION FUND

Utilizing Data as of June 30, 2014
For the Contribution Year July 1, 2014 to June 30, 2015

LAUTERBACH & AMEN, LLP

Actuarial Valuation – Funding Recommendation

Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

CHAMPAIGN FIREFIGHTERS' PENSION FUND

Contribution Year Ending: June 30, 2015
Actuarial Valuation Date: July 1, 2014
Utilizing Data as of June 30, 2014

Submitted by:

Lauterbach & Amen, LLP
630.393.1483 Phone
www.lauterbachamen.com

Contact:

Todd A. Schroeder
November 3, 2015

LAUTERBACH & AMEN, LLP

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ACTUARIAL CERTIFICATION

This report documents the results of the Actuarial valuation of the Champaign Firefighters' Pension Fund. The purpose is to report the actuarial contribution requirement for the contribution year May 1, 2015 to April 30, 2016. Determinations for purposes other than meeting the employer's actuarial contribution requirements may be significantly different from the results herein.

The results in this report are based on information and data submitted by the Champaign Firefighters' Pension Fund including studies performed by prior actuaries. We did not prepare the actuarial valuations for the years prior to July 1, 2011. Those Valuations were prepared by other actuaries whose reports have been furnished to us, and our disclosures are based upon those reports. An audit of the information was not performed, but high-level reviews were performed for general reasonableness, as appropriate, based on the purpose of the valuation. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information. The results of the actuarial valuation and these supplemental disclosures rely on the information provided.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The Champaign Firefighters' Pension Fund selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used in this valuation are reasonable and appropriate for the purposes for which they have been used.

To the best of our knowledge, all calculations are in accordance with the applicable funding requirements, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices. The undersigned of Lauterbach & Amen, LLP, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render this Actuarial Opinion. There is no relationship between the Champaign Firefighters' Pension Fund and Lauterbach & Amen, LLP that impairs our objectivity.

The information contained in this report was prepared for the use of the Champaign Firefighters' Pension Fund and the City of Champaign in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. It is intended to be used in its entirety to avoid misrepresentations.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

Todd A. Schroeder, EA

MANAGEMENT SUMMARY

Contribution Recommendation
Funded Status
Management Summary

CONTRIBUTION RECOMMENDATION

	Prior Valuation	Current Valuation
Contribution Requirement	$3,404,595	$3,340,104
Expected Payroll	$7,123,426	$7,374,429
Contribution Requirement as a Percent of Expected Payroll	47.79%	45.29%

Recommended Contribution has Decreased $64,491 from Prior Year.

FUNDED STATUS

	Prior Valuation	Current Valuation
Normal Cost	$1,800,173	$1,772,846
Market Value of Assets	$65,751,388	$74,565,824
Actuarial Value of Assets	$65,785,730	$71,789,776
Actuarial Accrued Liability	$80,440,811	$85,187,861
Unfunded Actuarial Accrued Liability	$14,655,081	$13,398,085
Percent Funded		
Actuarial Value of Assets	81.78%	84.27%
Market Value of Assets	81.74%	87.53%

Funded Percentage has Increased 2.49 on an Actuarial Value of Assets Basis.

MANAGEMENT SUMMARY – COMMENTS AND ANALYSIS

Contribution Results

The contribution recommendation is based on the funding policies and procedures that are outlined in the "Actuarial Funding Policies" section of this report.

The State of Illinois statutes for pension funds contain parameters that should be used to determine the minimum amount of contribution to a public pension fund. Those parameters and the resulting minimum contribution can be found in the "Illinois Statutory Minimum Contribution" section of this report.

Defined Benefit Plan Risks

Asset Growth

Pension funding involves preparing plan assets to pay benefits for the members when they retire. During their working careers, assets need to build with contributions and investment earnings, and then the pension fund distributes assets during retirement. Based on the fund's current mix of employees and funded status, the fund should be experiencing positive asset growth on average if requested contributions are made and expected investment earnings come in. In the current year the fund asset growth was positive by $8,814,436.

Asset growth is important long-term. Long-term cash flow out of the pension fund is primarily benefit payments. Expenses make up a smaller portion. The fund should monitor the impact of expected benefit payments and the impact on asset growth in the future. In the next 5 years, benefits payments are anticipated to increase 35-40%, or approximately $1.75 million dollars. In the next 10 years, the expected increase in benefit payments is 65-70%, or approximately $2.9 million dollars.

Unfunded Liability:

Unfunded liability represents dollars we expect to be in the pension fund already for the fund members based on funding policy. To the extent dollars are not in the pension fund the fund is losing investment returns on those dollars going forward. Payments to unfunded liability pay for the lost investment earnings, as well as the outstanding unfunded amount. If payment is not made, the unfunded liability will grow.

In the early 1990s, many pension funds in Illinois adopted an increasing payment to handle unfunded liability due to a change in legislation. The initial payments decreased, and payments were anticipated to increase annually after that. In many situations, payments early on may be less than the interest on unfunded liability, which means unfunded liability is expected to *increase* even if contributions are at the recommended level.

The current contribution recommendation includes a payment to unfunded liability that is currently $1,202,545 more than interest on the unfunded liability. All else being equal and contributions being made, unfunded liability would still be expected to increase. The employer and the fund should anticipate currently that improvement in the funded percent will be mitigated in the short-term. The employer and the fund should understand this impact as we progress forward to manage expectations.

Actuarial Value of Assets:
The pension fund smooths asset returns that vary from expectations over a five year period. The intention over time is that asset returns for purposes of funding recommendations are a combination of several years. The impact is intended to smooth out the volatility of contribution recommendations over time, but not necessarily increase or decrease the level of contributions over the long-term.

When asset returns are smoothed, there are always gains or losses on the Market Value of Assets that are going to be deferred for current funding purposes, and recognized in future years. Currently, the pension fund is deferring approximately $2.76 million dollars in gains on the Market Value of Assets. These are asset gains that will be recognized in upcoming periods, independent of the future performance of the Market Value of Assets.

Plan Assets
The results in this report are based on the Assets held in the pension fund. Assets consist of funds held for investment and for benefit payments as of the Valuation Date. In addition, Assets may be adjusted for other events representing dollars that are reasonably expected to be paid out from the pension fund or deposited into the pension fund after the Actuarial Valuation Date as well.

The current fund Assets are audited.

The Plan Assets Used in this Report are Audited.

The actuarial value of assets under the funding policy is equal to the fair market value of assets, with unexpected gains and losses smoothed over 4 years. More detail on the Actuarial Value of Assets can be found in the funding policy section of the report.

Demographic Data
Demographic factors can change from year to year within a pension fund. Changes in this category include hiring new employees, employees retiring or becoming disabled, retirees passing away, and other changes. Demographic changes can cause an actuarial gain (contribution that is less than expected compared to the prior year) or an actuarial loss (contribution that is greater than expected compared to the prior year).

Demographic gains and losses occur when the assumptions over the one-year period for employee changes do not meet our long-term expectation. For example, if no employees become disabled during the year, we would expect a liability gain. If more employees become disabled than anticipated last year, we would expect a liability loss. Generally we expect short-term fluctuations in demographic experience to create 1%-3% gains or losses in any given year, but to balance out in the long-term.

In the current report, the key demographic changes were as follows:

New hires: The fund added 6 new active members in the current year through hiring. When a new member is admitted to the pension fund, the employer contribution will increase to reflect the new member. The increase in the recommended contribution in the current year for new fund members is approximately $68,000.

Disability: There was 1 member of the fund who became disabled during the year. When a member becomes disabled, the fund will often experience a decrease in normal cost, but an increase in unfunded liability. The increase in the recommended contribution in the current year for the new disability was approximately $7,700.

Retirement: There were 2 members of the fund who retired during the year. When a fund member retires the normal cost will decrease. Any change in the actuarial liability will be considered when determining the amount to pay towards unfunded liability each year. The decrease in the recommended contribution in the current year due to the retirement experience is approximately $12,500.

Mortality: There were 4 retirees who passed away during the year, two with an eligible surviving spouse. When a retiree passes away, the fund liability will decrease as the pension fund no longer will make future payments to the retiree. If there is an eligible surviving spouse, the fund liability will increase to represent the value of the expected payments that will be made to the spouse. The net decrease in the recommended contribution in the current year due to the passing of the retirees is approximately $79,500.

Assumption Changes

The actuarial assumptions were not changed in the current year.

Funding Policy Changes

The funding policy was not changed in the current year.

ACTUARIAL CONTRIBUTION RECOMMENDATION - RECONCILIATION

Actuarial liability is expected to increase each year for both interest for the year and as active employees earn additional service years towards retirement. Similarly actuarial liability is expected to decrease when the fund pays benefits to inactive employees.

Contributions are expected to increase as expected pay increases under the funding policy for the Fund.

	Actuarial Liability	Contribution Recommendation
Prior Valuation	$ 80,440,811	$ 3,404,595
Expected Changes	2,932,673	50,107
Initial Expected Current Valuation	$ 83,373,484	$ 3,454,702

Other increases or decreases in actuarial liability (key changes noted below) will increase or decrease the amount of unfunded liability in the plan. To the extent unfunded liability increases or decreases unexpectedly, the contribution towards unfunded liability will also change unexpectedly.

	Actuarial Liability	Contribution Recommendation
Salary Increase Greater than Expected	20,448	(3,411)
Demographic Changes	1,793,929	45,699
Asset Return Greater than Expected *	-	(114,485)
Contributions Greater than Expected	-	(42,401)
Total Actuarial Experience	$ 1,814,377	$ (114,597)
Current Valuation	$ 85,187,861	$ 3,340,104

*The impact on contribution due to asset performance is based on the Actuarial Value of Assets.

Key demographic changes were discussed in the prior section.

VALUATION OF FUND ASSETS

Market Value of Assets
Actuarial Value of Assets

MARKET VALUE OF ASSETS

Statement of Assets

	Prior Valuation	Current Valuation
Money Market	$ 1,078,120	$ 2,519,448
Fixed Income	13,345,055	26,056,060
Global Tactical Asset Allocation	-	3,585,898
Insurance Contracts	14,159,140	-
Core Real Estate and REITs	-	6,543,904
Pooled Investment Accounts	14,346,867	-
Stock Equities	6,849,746	35,501,103
Mutual Funds	15,984,214	-
Receivables (Net of Payables)	(11,754)	359,411
Net Assets Available for Pensions	$ 65,751,388	$ 74,565,824

The Total Value of Assets has Increased $8,814,436 from Prior Valuation.

Statement of Changes in Assets

Total Market Value - Prior Valuation	$ 65,751,388
Plus - Employer Contributions	3,842,882
Plus - Employee Contributions	696,674
Plus - Return on Investments	8,705,990
Less - Benefit and Related Payments	(4,391,631)
Less - Other Expenses	(39,479)
Total Market Value - Current Valuation	$ 74,565,824

The Return on Investment on the Market Value of Assets for the Fund was Approximately 13.2% Net of Administrative Expenses.

The return on investments shown has been determined as the Return on Assets from the statement of changes in assets, as a percent of the average of the beginning and ending Market Value of Assets. Return on Investment is net of the Other Expenses as shown. The Return on Investments has been excluded from the Total Market Value of Assets at the end of the year for this calculation.

MARKET VALUE OF ASSETS (GAIN)/LOSS

Current Year (Gain)/Loss on Market Value of Assets

Total Market Value - Prior Valuation	$ 65,751,388
Contributions	4,539,556
Benefit Payments	(4,391,631)
Expected Return on Investments	4,607,775
Expected Total Market Value - Current Valuation	70,507,088
Actual Total Market Value - Current Valuation	74,565,824
Current Market Value (Gain)/Loss	$ (4,058,736)

Expected Return on Investments	$ 4,607,775
Actual Return on Investments (Net of Expenses)	8,666,511
Current Market Value (Gain)/Loss	$ (4,058,736)

The Return on the Market Value of Assets was Higher than Expected Over the Most Recent Year.

The (Gain)/Loss on the Market Value of Assets has been determined based on expected returns at the actuarial rate.

DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

Total Market Value - Current Valuation		$ 74,565,824
Adjustment for Prior (Gains)/Losses		
	Full Amount	
First Preceding Year	$ (4,058,736)	(3,044,052)
Second Preceding Year	(1,505,821)	(752,911)
Third Preceding Year	4,083,659	1,020,915
Fourth Preceding Year	(3,512,485)	-
Total Deferred (Gain)/Loss		(2,776,048)
Initial Actuarial Value of Assets - Current Valuation		71,789,776
Less Contributions for the Current Year and Interest		-
Less Adjustment for the Corridor		-
Actuarial Value of Assets - Current Valuation		$ 71,789,776

The Actuarial Value of Assets is Equal to the Fair Market Value of Assets with Unanticipated Gains/Losses Recognized over 4 Years. The Actuarial Value of Assets is Currently 96% of the Market Value.

(GAIN)/LOSS ON THE ACTUARIAL VALUE OF ASSETS

Total Actuarial Value - Prior Valuation	$ 65,785,730
Plus - Employer Contributions	3,842,882
Plus - Employee Contributions	696,674
Plus - Return on Investments	5,895,600
Less - Benefit and Related Payments	(4,391,631)
Less - Other Expenses	(39,479)
Total Actuarial Value - Current Valuation	$ 71,789,776

The Return on Investment on the Actuarial Value of Assets for the Fund was Approximately 8.9% Net of Administrative Expenses.

The Actuarial Value of Assets incorporates portions of gains and losses over multiple years.

HISTORICAL ASSET PERFORMANCE

The chart below shows the historical rates of return on plan assets for both Market Value of Assets and Actuarial Value of Assets.

	Market Value	Actuarial Value
First Preceding Year	13.2%	8.9%

The returns on assets shown above were calculated based on the annual return on investment for the year, as a percentage of the average value of the assets for the year.

For purposes of determining the average value of assets during the year, the ending market value of assets has been adjusted to net out to the portion related to the investment returns themselves. All other cash flows are included.

For purposes of determining the annual return on investment we have adjusted the figures shown on the preceding pages. The figures shown on the preceding pages are net of investment expenses. We have made an additional adjustment to net out administrative expenses. Netting out administrative expenses allows us to capture returns for the year that can be used to make benefit payments as part of the ongoing actuarial process.

The adjustment we make is for actuarial reporting purposes only. By netting out administrative expenses and capturing return dollars that are available to pay benefits, it provides us a comparison to the estimated rate of return on assets, but does not provide a figure that would be consistent with the return rates that are determined by other parties. Therefore this calculated rate of return should not be used to analyze investment performance of the Fund or the performance of the investment professionals.

RECOMMENDED CONTRIBUTION DETAIL

Actuarial Accrued Liability
Funded Status
Development of the Normal Cost
Recommended Contribution
Actuarial Methods – Recommended Contribution

ACTUARIAL ACCRUED LIABILITY

	Prior Valuation	Current Valuation
Active Employees	$ 35,094,483	$ 37,207,356
Inactive Employees		
Terminated Employees - Vested	-	-
Retired Employees	34,125,759	35,551,986
Disabled Employees	6,919,212	7,994,852
Other Beneficiaries	4,301,356	4,433,667
Total Inactive Employees	45,346,328	47,980,505
Total Actuarial Accrued Liability	$ 80,440,811	$ 85,187,861

The Total Actuarial Liability has Increased $4,747,050 from Prior Valuation.

FUNDED STATUS

	Prior Valuation	Current Valuation
Total Actuarial Accrued Liability	$ 80,440,811	$ 85,187,861
Total Actuarial Value of Assets	65,785,730	71,789,776
Unfunded Actuarial Accrued Liability	$ 14,655,081	$ 13,398,085
Total Market Value of Assets	$ 65,751,388	$ 74,565,824
Percent Funded		
Actuarial Value of Assets	81.78%	84.27%
Market Value of Assets	81.74%	87.53%

Funded Percentage as of the Valuation Date is Subject to Volatility on Assets and Liability in the Short-Term.

RECOMMENDED CONTRIBUTION DETAIL

DEVELOPMENT OF THE EMPLOYER NORMAL COST

	Prior Valuation	Current Valuation
Total Normal Cost	$ 1,800,173	$ 1,772,846
Estimated Employee Contributions	(673,520)	(697,252)
Employer Normal Cost	$ 1,126,653	$ 1,075,594

At a 100% Funding Level, the Normal Cost Contribution is Still Required.

NORMAL COST AS A PERCENTAGE OF EXPECTED PAYROLL

	Prior Valuation	Current Valuation
Expected Payroll	$ 7,123,426	$ 7,374,429
Employee Normal Cost Rate	9.455%	9.455%
Employer Normal Cost Rate	15.82%	14.59%
Total Normal Cost Rate	25.27%	24.04%

Ideally the Employer Normal Cost Rate will Remain Stable.

CONTRIBUTION RECOMMENDATION

	Prior Valuation	Current Valuation
Employer Normal Cost*	$ 1,252,665	$ 1,199,693
Amortization of Unfunded Accrued Liability/(Surplus)	2,151,930	2,140,411
Funding Requirement	$ 3,404,595	$ 3,340,104

*Employer Normal Cost Contribution includes interest through the end of the year.

The Recommended Contribution has Decreased 1.9% from the Prior Valuation (See the Management Summary).

Schedule of Amortization – Unfunded Actuarial Liability

Amortization Policy

The Funding Policy amortizes the portion of the Unfunded Liability attributable to benefit increases under PA 93-0689 on a level dollar basis over a 25 year period beginning July 1, 2004.

Any remaining unfunded liability which existed as of July 1, 2012 and was not covered by the prior paragraph is funded on a level dollar basis over a 40 year period beginning January 1, 1980.

New Unfunded liability that arises annually is handled separately each year. The change each year is being amortized on a level percent of pay basis over 15 years.

Below is the schedule of remaining amortization balances for the unfunded liability. The payments are intended to cover 100% of the unfunded liability.

Unfunded Liability Source	7/1/2014 Balance	Years Remaining	Payment
Increase due to PA 93-0689	5,402,831	16	571,931
Remaining Unfunded Liability	7,944,818	6.5	1,562,962
New Unfunded Liability - 7/1/2013	181,357	14.0	17,548
New Unfunded Liability - 7/1/2014	(130,922)	15.0	(12,030)
Total	13,398,085	13	2,140,411

The years remaining represent the number of payments needed to pay off the unfunded liability starting with the current year. The total number of years remaining is a weighted average number. If the total payment was made against the total outstanding balance, then the balance would be paid off in the total number of years shown.

ACTUARIAL METHODS – RECOMMENDED CONTRIBUTION

Actuarial Valuation Date	July 1, 2014
Data Collection Date	June 30, 2014
Actuarial Cost Method	Entry Age Normal (Level % Pay)
Amortization Method	Level Dollar (Closed)
Amortization Target	Varies (see page 16)
Asset Valuation Method	4-Year Smoothed Market Value

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described. The actuarial cost and amortization method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

The recommended contribution amount shown in this report is based on the methods summarized above. The Actuarial Funding Policies section of the report will include a more detail description of the funding methods being used.

The Actuarial Funding Methods are meant to provide a systematic process for determining contributions on an annual basis. The methods do not impact the expectation of future benefit payments. The methods only impact the way dollars are contributed towards future benefit payments.

Different Actuarial Funding Methods may achieve funding goals with differing levels of success. Certain methods are more efficient and more stable on an annual basis.

ILLINOIS STATUTORY MINIMUM CONTRIBUTION

Minimum Contribution
Methods and Assumptions

STATUTORY MINIMUM CONTRIBUTION

	Minimum Contribution
Contribution Requirement	$1,236,139
Expected Payroll	$7,374,429
Contribution Requirement as a Percent of Expected Payroll	16.76%

FUNDED STATUS – STATUTORY MINIMUM

	Minimum Contribution
Normal Cost	$2,083,262
Market Value of Assets	$74,565,824
Actuarial Value of Assets	$71,346,309
Actuarial Accrued Liability	$74,043,061
Unfunded Actuarial Accrued Liability	$2,696,752
Percent Funded	
Actuarial Value of Assets	96.36%
Market Value of Assets	100.71%

ILLINOIS STATUTORY MINIMUM CONTRIBUTION

The Statutory Minimum Contribution is based on funding methods and funding parameters in the Illinois statutes for pension funding. The resulting contribution is lower than the recommended contribution for the current plan year. The lower contribution amount is not recommended because it represents a deferral of contributions when compared to the recommended contribution method.

The recommended contribution method is intended to allocate pension contributions in a manner that provides for increases that are manageable going forward. When contributions are lowered in current years, the resulting contributions in future years can increase more rapidly, with the risk of becoming unmanageable. The Securities and Exchange Commission in 2013 used the phrase “Statutory Underfunding” to describe situations where contributions appear to be more manageable in the short-term, but set up future contribution requirements that are less likely to be manageable.

ACTUARIAL METHODS – ILLINOIS STATUTORY MINIMUM CONTRIBUTION

Actuarial Valuation Date	July 1, 2014
Data Collection Date	June 30, 2014
Actuarial Cost Method	Projected Unit Credit (Level % of Pay)
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	90% Funded in year 2040
Asset Valuation Method	5-Year Smoothed Market Value

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described. The actuarial cost and amortization method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

The recommended contribution amount shown in this report is based on the methods summarized above. The Actuarial Funding Policies section of the report will include a more detail description of the funding methods being used.

The Actuarial Funding Methods are meant to provide a systematic process for determining contributions on an annual basis. The methods do not impact the expectation of future benefit payments. The methods only impact the way dollars are contributed towards future benefit payments.

Different Actuarial Funding Methods may achieve funding goals with differing levels of success. Certain methods are more efficient and more stable on an annual basis.

ACTUARIAL VALUATION DATA

Active Employees
Retirees and Beneficiaries

ACTUARIAL VALUATION DATA

Active Employees

	Prior Valuation	Current Valuation
Vested	70	63
Nonvested	24	34
Total Active Employees	94	97
Total Payroll	$ 6,983,751	$ 7,229,832

Inactive Employees

	Prior Valuation	Current Valuation
Terminated Employees - Vested	0	0
Retired Employees	53	51
Disabled Employees	12	13
Other Beneficiaries	25	24
Total Inactive Employees	90	88

Summary Of Benefit Payments

	Prior Valuation	Current Valuation
Terminated Employees - Vested	$ -	$ -
Retired Employees	245,120	260,565
Disabled Employees	46,245	50,794
Other Beneficiaries	55,729	62,929
Total Inactive Employees	$ 347,094	$ 374,288

Benefits shown for terminated employees under deferred retirement are not currently in pay status.

ACTUARIAL FUNDING POLICIES

Actuarial Cost Method
Financing Unfunded Accrued Liability
Actuarial Value of Assets

ACTUARIAL COST METHOD

The actuarial cost method allocates the projected obligations of the plan over the working lifetimes of the plan participants.

In accordance with the Pension Fund's Funding Policy the actuarial cost method for the recommended contribution basis is Entry Age Normal (Level Percent of Pay). The Entry Age Normal Cost Method is a method under which the actuarial present value of the projected benefits of each individual included in an actuarial valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age. The portion of this actuarial present value allocated to a valuation year is called normal cost. The portion of the actuarial present value not provided at a valuation date by the actuarial present value of future normal costs is called the actuarial liability.

FINANCING UNFUNDED ACTUARIAL ACCRUED LIABILITY

The Unfunded Actuarial Accrued Liability may be amortized over a period either in level dollar amounts or as a level percentage of projected payroll.

In accordance with the Pension Fund's Funding Policy for the recommended contribution the unfunded actuarial accrued liabilities are amortized by level dollar contributions on a layered basis for unfunded liability which existed as of July 1, 2012. Any liability which arises after this date is amortized on a level percent of pay basis. See page 16 for more detail.

ACTUARIAL VALUE OF ASSETS

The pension fund is an ongoing plan. The employer wishes to smooth the effect of volatility in the market value of assets on the annual contribution. The Actuarial Value of Assets is equal to the Market Value of Assets with unanticipated gains/losses recognized over four years.

The asset valuation method is intended to create an Actuarial Value of Assets that remains reasonable in relation to the Market Value of Assets over time. The method produces results that can fall above and below the Market Value of Assets. The period of recognition is short.

It is intended that the period of recognition is short enough to keep the Actuarial Value of Assets within a decent range of the Market Value. The employer has not placed a specific corridor around the Market Value of Assets.

ACTUARIAL ASSUMPTIONS

Nature of Actuarial Calculations
Actuarial Assumptions in the Valuation Process
Actuarial Assumptions Utilized

ACTUARIAL ASSUMPTIONS

NATURE OF ACTUARIAL CALCULATIONS

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain plan provisions may be approximated or deemed immaterial, and, therefore, are not valued. Assumptions may be made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used in the calculations. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

A range of results different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.

ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census information furnished, using the actuarial cost methods described in the previous section.

The principal areas of financial risk which require assumptions about future experience are:

- Long-term Rates of Investment Return
- Patterns of Pay Increases for Members
- Rates of Mortality Among Members and Beneficiaries
- Rates of Withdrawal of Active Members
- Rates of Disability Among Members
- Age Patterns of Actual Retirement

Actual experience of the Pension Fund will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed contribution requirement.

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

Details behind the selection of the actuarial assumptions can be found in the assumption document provided to the client. The client has reviewed and approved the assumptions as a reasonable expectation of the future anticipated experience under the plan.

ACTUARIAL ASSUMPTIONS UTILIZED

Expected Return on Investments 7.00% net of adminstrative expenses.

CPI-U 3.00%

Total Payroll Increases 4.00%

Individual Pay Increases 4.00% - 8.87%

Individual salary increases include a long-term average increase for inflation, average annual increases for promotions, and any additional increases for a step program. Sample Rates as Follows:

Service	Rate	Service	Rate
0	8.87%	8	4.00%
1	8.64%	9	4.00%
2	8.43%	10	4.00%
3	4.00%	15	4.00%
4	4.00%	20	4.00%
5	4.00%	25	4.00%
6	4.00%	30	4.00%
7	4.00%	35	4.00%

Retirement Rates Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.100	53	0.180
51	0.100	54	0.180
52	0.100	55	0.180

ACTUARIAL ASSUMPTIONS

Withdrawal Rates

Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.054	40	0.009
30	0.034	45	0.005
35	0.018	50	0.002

Disability Rates

Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.000	40	0.004
30	0.000	45	0.007
35	0.002	50	0.012

Mortality Rates

UP84 Mortality Table. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.000	40	0.000
30	0.000	45	0.001
35	0.000	50	0.001

Married Participants

80% of Active Participants are Assumed to be Married. Female Spouses are Assumed to be 3 Years Younger than Male Spouses.

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Establishment of the Fund
Administration
Employee Contributions
Normal Retirement Pension Benefits
Pension to Survivors
Termination Benefits
Disability Benefits

ESTABLISHMENT OF THE FUND

The Firefighters' Pension Fund is established and administered as prescribed by "Article 4. Firefighters' Pension Fund – Municipalities 500,000 and Under" of the Illinois Pension Code.

ADMINISTRATION

The Firefighters' Pension Fund is administered by a Board of Trustees located in each municipality maintaining a pension fund for its firefighters. Its duties are to control and manage the pension fund, to hear and determine applications for pensions, to authorize payment of pensions, to establish rules, to pay expenses, to invest funds, and to keep records.

EMPLOYEE CONTRIBUTIONS

Employees contribute 9.455% of salary.

NORMAL RETIREMENT PENSION BENEFIT

<u>Hired Prior to January 1, 2011</u>

Eligibility: Age 50 with at least 20 years of creditable service and no longer a firefighter.

Benefit: 50% of final salary is payable commencing at retirement for 20 years of service. An additional 2.5% of final salary is added for each additional year of service (prorated monthly) in excess of 20 years of service (not to exceed 75% of final salary). "Final salary" is based on the pay rate for the firefighter at retirement.

Annual Increase in Benefit: A firefighter is entitled to an initial pension increase equal to 1/12 of 3% of the original monthly benefit for each full month that has passed since the pension began. The initial increase date will be the later of the first day of the month following the attainment of age 55, or the first anniversary of the date of retirement. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

NORMAL RETIREMENT PENSION BENEFIT - CONTINUED

Hired on or After January 1, 2011

Eligibility: Age 55 with at least 10 years of creditable service and no longer a firefighter.

Benefit: 2.5% of final average salary for each year of service is payable at retirement (not to exceed 75% of final average salary). "Final average salary" is determined by dividing the highest total salary over 96 consecutive months of service in the last 120 months of service by the total number of months of service in the period. Annual salary for this purpose will not exceed $106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

EARLY RETIREMENT PENSION BENEFIT

Hired Prior to January 1, 2011

None

Hired on or After January 1, 2011

Eligibility: Age 50 with at least 10 years of creditable service and no longer a firefighter.

Benefit: The normal retirement pension benefit reduced by ½ of 1% for each month that the firefighter's age is under age 55.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60, or the first anniversary of the date of retirement. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

PENSION TO SURVIVORS

Hired Prior to January 1, 2011

Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the firefighter on the last day of service, payable immediately.

Death - Non-Duty

Current Pensioners (Including Disabled Pensioners): Surviving spouse to receive continuation of the pension at the time of death or 54% of pensionable salary at the time pension began, if greater.

Active Employee with 20+ Years of Service: Surviving spouse is entitled to the full pension earned by the firefighter at the time of death, or 54% of the pensionable salary at death if greater.

Active Employee with 10-20 Years of service: Surviving spouse is entitled to 54% of the salary attached to the rank of the firefighter on the last day of service, payable immediately

Annual Increase in Benefit: None.

Hired on or After January 1, 2011

Death - Line of Duty

Surviving spouse is entitled to 100% of the salary attached to the rank of the firefighter on the last day of service, payable immediately.

Death - Non-Duty

Current Pensioners (Including Disabled Pensioners), Active Employee with 20+ Years of Service, and Active Employee with 10-20 Years of service: Surviving spouse to receive 66 ⅔% of the firefighter's earned pension at the date of death.

Annual Increase in Benefit: The initial increase date will be the January 1st after the attainment of age 60 by the recipient of the survivor's pension. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original survivor's pension amount.

TERMINATION BENEFIT

Hired Prior to January 1, 2011

Eligibility: At least 10 years but less than 20 years of creditable service.

Benefit: An accrual factor times final salary for each year of service is payable beginning at age 60. "Accrual Factor" is a factor of 1.5% at 10 years of service, increasing ratably up to 2.4% at 19 years of service. "Final salary" is based on the pay rate for the firefighter on the date of separation.

Annual Increase in Benefit: A firefighter will receive an initial increase of 3% on the first anniversary of the date of start of payments. Subsequent increases of 3% of the current pension amount will be provided in each January thereafter.

Hired on or After January 1, 2011

Eligibility: At least 10 years but less than 20 years of creditable service.

Benefit: An accrual factor times final salary for each year of service is payable beginning at age 60. "Accrual Factor" is a factor of 1.5% at 10 years of service, increasing ratably up to 2.4% at 19 years of service. "Final salary" is based on the greater of salary during the last year of service prior to termination of employment or the pay rate for the firefighter at termination of employment. Annual salary for this purpose will not exceed $106,800, indexed by the lesser of 3% or ½ of the CPI-U for the 12 months ending with the September preceding each November 1. The salary cap will not decrease.

Annual Increase in Benefit: The initial increase date will be the January 1st following the first payment. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

DISABILITY BENEFIT

Hired Prior to January 1, 2011

Eligibility: Disability (duty; or non-duty with 7 years of service).

Benefit: A firefighter who becomes disabled on duty is entitled to receive a pension equal to the greatest of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the firefighter is entitled to 50% of final salary. “Final salary” is based on the pay rate for the firefighter at retirement.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60. Subsequent increases will occur on each subsequent January 1st. The first increase is 3% of the original benefit for each full year that has passed since the pension began. Subsequent increases are 3% of the original pension benefit amount.

Hired on or after January 1, 2011

Eligibility: Disability (duty; or non-duty with 7 years of service).

Benefit: A firefighter who becomes disabled on duty is entitled to receive a pension equal to the greater of 65% of final salary or the pension they would have been entitled to upon retirement at the time of disability. For a non-duty disability, the firefighter is entitled to 50% of final salary. “Final salary” is based on the pay rate for the firefighter at last day of service.

Annual Increase in Benefit: The initial increase date will be the January 1st following the attainment of age 60. Subsequent increases will occur on each subsequent January 1st. The first increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1, applied to the original pension amount.

GLOSSARY OF TERMS

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Actuarial Accrued Liability **–**The actuarial present value of future benefits based on employees' service rendered to the measurement date using the selected actuarial cost method. It is that portion of the Actuarial Present Value of plan benefits and expenses allocated to prior years of employment. It is not provided for by future Normal Costs.

Actuarial Cost Method **–** The method used to allocate the projected obligations of the plan over the working lifetimes of the plan participants.

Actuarial Value of Asset **–** The value of the assets used in the determination of the Unfunded Actuarial Accrued Liability. The Actuarial Value of Assets is related to Market Value of Assets, with adjustments made to spread unanticipated gains and losses for a given year over a period of several years. Actuarial Value of Assets is generally equally likely to fall above or below the Market Value of Assets, and generally does not experience as much volatility over time as the Market Value of Assets.

Asset Valuation Method **–** A valuation method designed to smooth random fluctuations in asset values. The objective underlying the use of an asset valuation method is to provide for the long-term stability of employer contributions.

Funding Policy **–** A set of procedures for a Pension Fund that outlines the "best practices" for funding the pension benefits based on the goals of the plan sponsor. A Funding Policy discusses items such as assumptions, Actuarial Cost Method, assets, and other parameters that will best help the sponsor meet their goal of working in the best interest of the plan participant.

Market Value of Assets **–** The value of the cash, bonds, securities and other assets held in the pension trust as of the measurement date.

Normal Cost **–**The present value of future benefits earned by employees during the current fiscal year. It is that portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Unfunded Actuarial Accrued Liability **–** The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The Unfunded Actuarial Accrued Liability is amortized over a period either in level dollar amounts or as a level percentage of projected payroll