

**OAK BROOK POLICE PENSION FUND
1200 Oak Brook Road
Oak Brook, IL 60523**

(630) 368-5072

REQUEST FOR PROPOSALS

Investment Consulting Services

January, 2014

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Section 1. Request for Proposals

A. Notice – posted on the Village of Oak Brook website January 31, 2014:

OAK BROOK POLICE PENSION FUND

Request for Proposal

INVESTMENT CONSULTING SERVICES

January, 2014

The Oak Brook Police Pension Fund is soliciting proposals for Investment Consulting Services.

Proposals should be addressed to:

Rose Kane
Police Pension Clerk
Village of Oak Brook
1200 Oak Brook Road
Oak Brook, IL 60523

The closing date and time for receipt of proposals is **Friday, February 14, 2014 at 4:00 P.M. prevailing time**. Proposals received after the submittal time will be rejected and returned unopened to the sender.

A complete proposal package, of which this notice is a part, is on file for inspection and may be downloaded from the Village's website at www.oak-brook.org or picked up at the Butler Government Center, 1200 Oak Brook Road, Oak Brook, Illinois 60523, between the hours of 8:30 a.m. and 4:30 p.m., Monday through Friday. There is no charge for the package.

Questions regarding this Request for Proposal may be addressed to:
Finance Director/Treasurer Sharon Dangles (630) 368-5072, sdangles@oak-brook.org.

Section 2. Introduction

A. Purpose and Invitation to Submit Proposal

The Oak Brook Police Pension Fund Board (“Board”) is seeking proposals to provide Investment Consulting Services for management of the investment portfolio of the Oak Brook Police Pension Fund (“Fund”). It is anticipated that the consultant will provide advisory services to the Trustees of the Board as outlined in the Scope of Services.

There is no expressed or implied obligation of the Board to reimburse responding firms for any expenses incurred for responding to this request. During the evaluation process, the Trustees reserve the right, where it is in the Fund’s best interests, to request additional information or clarification from proposers or to allow corrections of errors or omissions. At the discretion of the Fund, the firms submitting proposals may be asked to make an oral presentation as part of the evaluation process.

In the event of a merger or acquisition of the investment consultant, any contract awarded as a result of this RFP process will be transferable only with the written approval of the Board.

If any firm submitting a proposal intends on subcontracting out any portion of the engagement, that fact and the name of the proposed subcontracting firm(s) must be clearly disclosed in the proposal. Following the award of contract, no additional subcontracting will be allowed without the prior written consent of the Trustees.

B. General Information

Section 5/1-101.5 of the Pension Code defines “Consultant” as follows: “as any person or entity retained or employed by a board of the pension fund to make recommendations in developing investment strategy, assist with finding appropriate investment advisors or monitor the Board’s investments”.

In order to be a “Consultant” with respect to the Pension Fund, the person or entity must be one or more of the following:

1. Registered as investment advisor under the Federal Investment Advisor Act of 1940;
2. Registered as an investment advisor under the Illinois Security Law of 1953;
3. A Bank as defined in Investment Advisors Act of 1940;
4. An insurance company authorized to transact business in the State of Illinois.

A contract awarded to a “Consultant” may not exceed five (5) years in duration, which may not be extended or renewed. However, at the end of the term of the “Consultant” contract, the “Consultant” is eligible to compete for a new contract. The Board intends to award a one (1) year contract with four (4) additional one (1) year extensions. “Consultants” proposing for pension fund consultant services must include a written disclosure of the following:

1. The offeror;
2. Any entity that is the parent of, or owns a controlling interest in the offeror;
3. Any entity that is subsidiary of, or in which the controlling interest is owed by, the offeror.

The Prohibited Transactions Section of the Illinois Pension Code, 40 ILCS §5-110(d) provides that a “Consultant” shall not knowingly cause or advise a Pension Fund to engage in investment transaction when the investment consultant has any direct interest in the income, gains, or profits of the investment consultant through which the investment transaction is made

or, has a business relationship with that consultant that would result in a pecuniary benefit to the consultant as a result the investment transaction.

The Fund is a single-employer defined benefit plan for pension and disability benefits established pursuant to Article 3 of the Illinois Pension Code (40 ILCS 5/3, commonly referred to as a “downstate Illinois police pension fund”). Pursuant to state law, the pension plan is managed by a Pension Board made up of two officers elected by active participants, one annuitant elected by the annuitants, and two members appointed by the Village President. By statute the Treasurer of the Village also serves as Treasurer of the Fund.

As of January 1, 2014 the Fund has 41 active and 37 annuitant participants and assets of approximately \$32 million. Selected pages from the most recent actuarial valuation report, a current investment listing, and the Fund’s Investment Policy are attached in Section 6.

The Board currently utilizes Lowery Asset Consulting (Lowery) as its investment consultant. Lowery advises the Board on its investment policy, selecting mutual fund investments for the equity portion of the portfolio, and MB Financial Bank (MB) is responsible for the active management of the fixed portion of the portfolio. MB also serves as custodian for all of the Fund’s investments. To be in compliance with the Illinois State Pension Code, the Board is soliciting proposals for investment consultant(s). Both of the vendors above will be invited to submit a proposal for consideration in this process. The Board may also consider again hiring a separate investment consultant for equity investments and a different one for the fixed income investments.

Section 3. Scope of Services

The following services are to be provided in the consultant’s base proposal.

1. The consultant is to assist in the periodic review and update of the Fund’s investment policy.
2. The consultant will advise and assist the Board in implementing an investment strategy that considers fixed income/equity allocations, diversification, passive/active investment strategies, etc. The recommendations shall be based on the current investment climate, future market assumptions, and statutory investment limitations.
3. By the 15th of each month the consultant shall prepare a monthly report providing investment description, purchase price, face value, rate of return, maturity date, and market value. The report shall also include a listing of all investment transactions occurring during the month
4. At least quarterly, the consultant will prepare a performance report that calculates the rate of return for the portfolio and measures this performance against agreed upon benchmarks. The rate of return shall be calculated net of all fees and at a minimum a rate of return shall be calculated separately for the fixed income portfolio, the equity portfolio, and the total portfolio.
5. On an annual basis the consultant shall report on the cumulative investment return of the Fund.
6. At a minimum, the consultant shall be required to attend the regularly scheduled quarterly meetings of the Fund and shall make an investment presentation at these meetings. In

addition, the Fund has an annual membership meeting (usually in May) at which time an investment presentation shall be made to the individual members of the Fund. The Board may require attendance by the consultant at additional meetings as may be needed from time to time.

7. During the time between quarterly meetings the consultant shall communicate directly with the Treasurer regarding any material unexpected changes in the Fund such as large investment changes due to market conditions, large sales or call of securities before maturity, changes in mutual fund selections, etc.
8. The consultant will keep abreast of important economic, financial and legal issues that relate to public pension funds in Illinois. The consultant will assist the Fund with monitoring and complying with all statutory requirements and Division of Insurance rules and regulations relating to investments.
9. The selected consultant(s) will acknowledge in writing that it is a fiduciary in respect to the Fund.
10. The consultant shall disclose whether it is an "Illinois Finance Entity" as defined in 40 ILCS 5/1-110.10 and if necessary shall provide the annual certification regarding compliance with the High Risk Home Loan Act.
11. It must be acknowledged that any agreement arising out of this request for proposal is not necessarily an exclusive investment arrangement. The Board reserves the right to invest funds seeking the assistance of the selected consultant or any additional consultants as the Board deems appropriate.

Section 4. Proposal

A. Rules for Proposals

Seven (7) bound copies and one in electronic format shall be submitted:

Rose Kane
Police Pension Clerk
Village of Oak Brook
1200 Oak Brook Road
Oak Brook, IL 60523

on or before 4:00 p.m. Friday, February 14, 2014. Any proposal received after this date and time will be refused and returned unopened to the sender. Any questions regarding this RFP should be directed to Sharon Dangles, Finance Director/Treasurer, at (630) 368-5072.

Required Items

Items that need to be included with the proposal at a minimum include the following:

1. A description of the firm and its relevant prior experience with public pension funds or similar entities.
2. A current listing of the firm's Illinois public pension fund or similar clients.

3. A description of the relevant background and experience of the proposed team assigned to the Oak Brook Police Pension Fund engagement.
4. Names, addresses, and telephone numbers of persons who may be contacted for references. These references should be relevant to public pension funds.
5. The fee proposal. The consultant shall disclose any fees charged to the fund as well as any commissions received.

B. Technical Proposal

1. General Requirements

The purpose of the technical proposal is to demonstrate the qualifications, competence and capacity of the firms seeking to provide investment consulting services to the Board. As such, the substance of the proposal will carry more weight than the form or manner of presentation. However, the presentation will be considered as an example of the type of work typical of the firm and the staff assigned to the engagement.

The technical proposal should address all of the points outlined in the request for proposal. The proposal should be prepared simply and economically, providing a straightforward, concise description of the proposer's ability to satisfy the requirements as outlined. While additional data may be presented, the following subjects must be included.

2. Firm organization

- a. A general description of the office of the firm or organization that would provide service to the Board including size, number of employees, and primary business (brokerage, consulting, pension planning, insurance, banking, etc.).
- b. A history of the firm or organization and its relationship (if any) to other firms, including a description of the ownership structure of the organization, giving specific details with regard to its parent, any affiliated companies, or any joint ventures.
- c. A statement that the firm or organization can provide all of the services as requested, or alternatively a statement taking exception to certain services which cannot be provided as requested.
- d. A list of all pension fund clients served by the office that would provide service including the value of each client's assets and the type of services provided.
- e. The name, title, and contact information of five references familiar with both the organization's business style and staff proposed to be assigned to this engagement. Preferably these references should be from pension funds similar to the Oak Brook Police Pension Fund.

3. Personnel

Identify the key personnel who would perform work for the Fund and provide a biography for each that includes their education, certificates, experience, tenure with your organization, and other qualifications. Include in the biography the investment consulting clients to which the key personnel current perform service. Please note that the selected firm will be required to notify

the Pension Board members regarding any changes in research or senior professionals, any other pertinent personnel, or in the structure of the organization within 30 days.

4. Independence and Litigation

- a. The Board has not ruled out the use of broker/dealers to assist in the investment process. That being said, the proposal shall state to what extent the organization and its employees are independent as it relates to the engagement.
- b. The firm or organization shall disclose any professional relationships involving the Village of Oak Brook or any elected or appointed officials. Please indicate whether any of these relationships would constitute a conflict of interest or the appearance of a conflict of interest. This disclosure requirement will be required for the duration of any agreement arising out of this request for proposal.
- c. Indicate whether the firm or organization owns or is affiliated with any money management firm, broker/dealer, or any other organization that sell services or receives commissions. Also indicate what your policy is regarding independence and conflict of interest.
- d. Indicate whether the firm has ever (i) been the focus of a non-routine inquiry or investigation from the Securities and Exchange (SEC) or any similar federal or state regulatory body, (ii) been a party of any litigation concerning fiduciary responsibility or other investment related matter, or (iii) submitted a claim to its errors and omissions, fiduciary liability, and/or fidelity bond insurance carrier(s).

5. Technical Approach

- a. General Approach and Consulting Capabilities
 - i) Outline all investment advisory services provided by the firm
 - ii) Describe the firms' fiduciary responsibility as consultant to the Trustees.
 - iii) Describe the firm's process/philosophy for client support and service response procedures. How is day-to-day support provided?
- b. Investment Policy Development and Asset Allocation
 - i) Discuss the approach your firm would take in the formation of investment goals and policies, including a description of the methodologies that would be used to develop an asset allocation.
 - ii) How frequently should client review their asset allocation?
 - iii) Describe your firm's view on indexing and passive management as opposed to active management.
- c. Investment Manager/Mutual Fund Selection-Equity Investments
 - i) Describe the firm's process for investment manager/mutual fund screening and selection. Discuss the extent to which the firm uses quantitative and qualitative analysis, and the relative weighting the firm places on each.
 - ii) Describe the method used to maintain data on investment managers and/or mutual funds, including names of third party databases to which the firm

subscribes. Describe the frequency and methodology by which any databases are updated.

- iii) In addition to performance information, what other types of data are available on the firm's database? Is the research and data provided to clients proprietary or purchased?
- iv) State whether your firm receives revenue in any form from investment managers or mutual funds.
- v) Describe your process for ongoing monitoring of investment managers and mutual funds.
- vi) Do you set specific criteria for trading costs with active and passive managers and funds?

d. Fixed Income Investments

- i) Describe your firm's philosophy for management of the fixed income portfolio. Is the approach an active management style or a passive style such as laddered portfolio?
- ii) How are securities bought and sold in the portfolio? Are competitive bids obtained? How much turnover is expected annually in the portfolio?
- iii) Describe your firm's philosophy as it relates to callable securities, zero coupon securities, and mortgaged-backed securities.
- iv) Describe what benchmarks are used to monitor the portfolio.
- v) Describe the process for ongoing monitoring of the fixed income investment portfolio. How often will an account manager review the portfolio?

e. Performance Measurement and Reporting

- i) Describe the firm's approach and philosophy in providing performance evaluation information, and the specific process that the firm uses to provide direction to the Board in monitoring performance relative to the investment policy and goals.
- ii) Describe the investment performance process, including benchmarks used to analyze and evaluate performance of the total portfolio, each asset class, and individual investment managers.
- iii) Describe the firm's methodology in calculating individual manager returns, including the treatment of cash flows and fees. Are all performance reports compliant with AIMR Performance Presentations Standards?
- iv) Detail your criteria and procedures for recommending termination of an investment manager or mutual fund. Over what time period should the evaluation be considered? Given your criteria, how frequently do you recommend a change in managers?
- v) Describe the firm's performance reporting capabilities. What databases are used for performance comparison? Describe the methodology the firm employs to ensure the accuracy, timeliness and integrity of the data. How flexible is the reporting system in terms of accommodating special requests?
- vi) Include a description of any external sources that the firm uses to provide investment performance analysis. Describe the software packages used (identify vendors and packages). How long have these systems (external or internal) been in place?
- vii) Provide a complete sample report that illustrates the type of information given and the format of quarterly reports to the Board.

f. Fees

- i) What is the proposed fee structure, including start up fees, annual fees, and all other fees?
- ii) Provide a detailed description of the services to be provided in exchange for the proposed fee.
- iii) Enclose a sample investment management contract with a fee schedule.
- iv) Indicate any other direct or indirect compensation your firm may receive as a result of this engagement.

g. Miscellaneous

- i) Please provide a list of at least five references similar to the Oak Brook Police Pension Fund. The listing should include contact names, addresses, and telephone number as well as amount of assets managed.
- ii) Please provide information regarding any formal complaints, sanctions, or litigation against your firm in the last five years.
- iii) Discuss recommendations for custody of assets. Are you affiliated with this custodian? Would you receive any compensation for this custodian in regard to the Fund? Are any custodian services delegated to other firms? Itemize all costs to the Fund should they choose to take your recommendations in regard to custody.
- iv) Does your firm practice in any underwriting activities, either direct or in arrangements with other financial institutions? Please disclose what bonds or stocks in your current portfolios are the result of such transactions and explain what fees or compensation your firm receives in such transactions.
- v) Please state whether you are willing to acknowledge that you are a fiduciary of funds as defined in 40 ILCS 5/1-101.2
- vi) If requested, what other services could your firm provide?
- vii) If you are a Registered Investment Advisor please provide your most current ADV I and ADV II.

Section 5. Review Process

A. Basis of Award and Selection Process

Basis of Award

The Oak Brook Police Pension Fund reserves the right to reject any or all proposals and to waive any informality or technical error and to accept any proposal deemed most favorable to the interests of the Fund. As the basis for award, the Fund will consider (not in specific order):

1. Qualifications of the investment management team assigned to this engagement.
2. Overall quality, completeness, and thoroughness of the proposal.
3. Past investment performance of similar funds.
4. References.
5. Oral interview.

6. The amount of the proposed fee.
7. Prior experience with similar Illinois public pension funds.

A sub-committee of the Board as well as the Treasurer will initially screen all responses to this request for proposal. After the initial screening, it is expected that three to five firms will be invited to give an oral presentation to the entire Board.

Additional criteria to be used include:

1. Ability, capacity and skill to fulfill the contract as specified.
2. Ability to provide the services within the time specified, without delay or interference.
3. Character, integrity, reputation, judgment, experience and efficiency.
4. Quality of performance on previous contracts.
5. Previous and existing compliance with laws and ordinances relating to the contract.
6. Sufficiency of financial resources.
7. Quality, availability and adaptability in relation to the Fund's requirements.
8. Ability to provide future maintenance and service under the contract.
9. Number and scope of conditions attached to the proposal.

B. Terms and Conditions

1. Any contract or agreement resulting from the acceptance of this proposal by the Pension Fund shall be on forms supplied by the Fund's attorney.
2. If, through any cause, the investment consultant fails to fulfill any of the obligations agreed to in a timely and proper manner, the Fund shall have the right to terminate the contract by notifying the consultant in writing of such termination at least 30 calendar days in advance of such termination.
3. The Fund reserves the right to request clarification of information submitted and request additional information as needed.
4. Requests for additional information concerning this RFP should be directed to Sharon Dangles, Finance Director/Treasurer, 630-368-5072.

Section 6. Attachments

Attachment A – Current Investment Listing

Attachment B – Investment Policy

Attachment C – Actuarial Information

Assets Statement

ATTACHMENT A

*Current Investment Listing
(as of 12/31/12 – from IL DOI)*

31.1	Cash on Hand:	\$0.00
31.2	Deposits in Money Market, Checking, N.O.W., IL Fund, Repurchase Agreements, etc. (Total Balance End of Year from Schedule A):	\$1,522,050.48

Investments

		<u>Actuarial Funding Value:</u>	<u>Market Value:</u>
32.1	Certificates of Deposit (Total Balance End of Year from Schedule B):	\$0.00	\$0.00
32.2	State, Local and Corporate Obligations (Total Value from Schedule C3):	\$5,227,896.87	\$5,227,896.87
32.3	U.S. Government and Agency Obligations (Total Value from Schedule D3):	\$9,007,861.93	\$9,007,861.93
32.4	Insurance Company Contracts – General Accounts (Total Balance End of Year from Schedule E):	\$0.00	\$0.00
32.5	Insurance Company Contracts – Separate Accounts (Total Balance End of Year from Schedule F):	\$0.00	\$0.00
32.6	Pooled Investment Accounts (Total Balance End of Year from Schedule G):	\$0.00	\$0.00
32.7	Common and Preferred Stocks (Total Balance End of Year from Schedule J3):	\$1,791,512.72	\$1,791,512.72
32.8	Mutual Funds (Total Balance End of Year from Schedule K3):	\$12,145,874.18	\$12,145,874.18
33.0	Total Investments (Sum of Lines 32.1 through 32.8):	\$28,173,145.70	\$28,173,145.70

Receivables

34.1	Taxes Receivable:	\$0.00	
34.2	Accrued Past Due Interest:	\$119,432.73	
34.3	Salary Deductions:	\$0.00	
34.4	Taxes Received – Not Distributed:	\$0.00	
34.5	Due from Members for Prior Services:	\$0.00	
34.6	Other Receivables (from detail):	\$0.00	
35.0	Total Receivables (Sum of Lines 34.1 through 34.6):		\$119,432.73
36.0	Equipment:	\$0.00	
37.0	Other Assets (from detail):	\$0.00	

		<u>Actuarial Funding Value:</u>	<u>Market Value:</u>
38.0	Total Assets (Sum of Lines 31.1, 31.2, 33.0, 35.0, 36.0, and 37.0):	\$29,814,628.91	\$29,814,628.91

Liabilities

39.1	Pensions and Benefits Due and Unpaid:	\$0.00
39.2	Expenses Due and Unpaid	\$11,383.10

Schedule A

Deposits in Checking, Savings, Money Market, N.O.W., IL Fund, etc. Accounts

Name of Institution	Account Number	Date Acquired	Var. Rate	Rate	Beginning Balance	Balance End of Year	Interest Received and Accrued
10102 NOW or Checking Accounts							
MB FINANCIAL (CHECKING)	108318400	1/1/2001	Y	0.000 %	133,147.24	159,952.08	142.06
Totals:					\$133,147.24	\$159,952.08	\$142.06
10104 Bank Money Market Accounts							
MB FINANCIAL (EQUITIES)	66465281	11/1/2008	Y	0.000 %	15,734.60	8,580.35	0.00
MB FINANCIAL (FIXED INCOME)	61346380	1/1/2001	Y	0.000 %	550,619.89	290,921.06	0.00
MB FINANCIAL (MUTUAL FUNDS)	66465280	11/1/2008	Y	0.000 %	514,915.25	1,034,615.26	0.00
Totals:					\$1,081,269.74	\$1,334,116.67	\$0.00
10106 IPTIP							
ILLINOIS FUNDS	7139141241	1/1/2001	Y	0.000 %	27,953.59	27,981.73	28.14
Totals:					\$27,953.59	\$27,981.73	\$28.14
					Beginning Balance	Balance End of Year	Interest Received and Accrued
Totals:					\$1,242,370.57	\$1,522,050.48	\$170.20

Schedule C - Part 3

Investments in State, Local and Corporate Obligations Held at End of Year

Security Description	CUSIP Number	Date Acquired	Maturity Date	Var. Rate	Rate	Par Value of Security	Cost Excluding Interest and Charges	Rating Agency	Rating	Market Value End of Year	Interest Received and Accrued	Book Value	Accrual of Discount	Amortization of Premium
10203 Municipal Bonds														
CHAMPAIGN	158375LN3	9/27/2010	12/15/2025	N	5.050 %	100,000.00	105,125.00			113,137.00	0.00	113,137.00	0.00	0.00
COOK	213687JZ0	11/9/2010	12/1/2026	N	5.100 %	100,000.00	98,875.00			112,690.00	0.00	112,690.00	0.00	0.00
DES PLAINES	250217ZK5	4/1/2008	12/1/2013	N	4.100 %	100,000.00	100,000.00			102,999.00	0.00	102,999.00	0.00	0.00
DUNDEE TWP	265309GZ1	12/15/2010	12/15/2019	N	3.875 %	100,000.00	101,405.00			110,214.00	0.00	110,214.00	0.00	0.00
MCHENRY CTY	581170FP7	9/15/2010	12/15/2015	N	2.250 %	125,000.00	125,000.00			130,306.25	0.00	130,306.25	0.00	0.00
MCHENRY CTY	580849FN2	7/26/2007	12/1/2013	N	5.250 %	350,000.00	345,705.50			362,148.50	0.00	362,148.50	0.00	0.00
PEKIN	705591EE1	9/9/2010	8/1/2019	N	4.300 %	100,000.00	100,000.00			110,344.00	0.00	110,344.00	0.00	0.00
ROCKFORD	77316QJV2	3/6/2007	12/15/2018	N	5.125 %	200,000.00	198,850.00			210,774.00	0.00	210,774.00	0.00	0.00
ROSEMONT	777543TM1	12/1/2012	12/1/2015	N	1.480 %	125,000.00	126,961.25			126,928.75	0.00	126,928.75	0.00	0.00
ROSEMONT	777543TQ2	12/1/2012	12/1/2018	N	2.610 %	175,000.00	178,494.75			180,918.50	0.00	180,918.50	0.00	0.00
WINNEBAGO	974450VC9	9/16/2010	12/30/2020	N	3.700 %	100,000.00	100,000.00			109,350.00	0.00	109,350.00	0.00	0.00
Totals:						\$1,575,000.00	\$1,580,416.50			\$1,669,810.00	\$0.00	\$1,669,810.00	\$0.00	\$0.00
10500 Corporate Bonds														
3 M	88579EAE5	10/15/2011	8/15/2013	N	4.375 %	200,000.00	214,900.00	Moody's	Aaa	205,116.60	0.00	205,116.60	0.00	0.00
ACE	00440EAJ6	10/15/2011	2/15/2017	N	5.700 %	120,000.00	140,220.00	Moody's	Aa1	140,906.16	0.00	140,906.16	0.00	0.00
AMGEN	031162AZ3	10/15/2011	2/1/2019	N	5.700 %	150,000.00	182,983.50	Moody's	Baa1	181,362.60	0.00	181,362.60	0.00	0.00
BAN OF AMER	060505BM5	10/15/2011	6/15/2014	N	5.375 %	150,000.00	159,885.00	Moody's	Aa3	158,525.40	0.00	158,525.40	0.00	0.00
BOEING	097014AL8	10/15/2011	10/27/2019	N	4.700 %	110,000.00	129,800.00	Moody's	Aa1	129,787.57	0.00	129,787.57	0.00	0.00
BURLINGTON	12189LAB7	10/15/2011	9/1/2020	N	3.600 %	150,000.00	156,535.50	Moody's	Aa2	162,459.00	0.00	162,459.00	0.00	0.00
CAPITAL ONE	14040EHK1	10/15/2011	2/15/2014	N	5.125 %	175,000.00	184,625.00	Moody's	Baa1	183,595.13	0.00	183,595.13	0.00	0.00
CHUBB CORP	171232AR2	10/15/2011	5/15/2018	N	5.750 %	140,000.00	169,246.00	Moody's	Baa1	172,060.70	0.00	172,060.70	0.00	0.00
CVS	126650B74	10/15/2011	5/18/2020	N	4.750 %	110,000.00	124,850.00	Moody's	Baa1	129,111.62	0.00	129,111.62	0.00	0.00
G E	36962G4Y7	10/15/2011	1/7/2021	N	4.625 %	75,000.00	80,943.75	Moody's	A2	85,072.20	0.00	85,072.20	0.00	0.00
G E	36962G5J9	10/15/2011	10/17/2021	N	4.650 %	125,000.00	131,577.50	Moody's	A2	142,629.50	0.00	142,629.50	0.00	0.00
HALLIBURTON	4062116A5	10/15/2011	9/15/2019	N	6.150 %	95,000.00	118,655.00	Moody's	A2	119,630.37	0.00	119,630.37	0.00	0.00
MCDONALDS	58013MEG5	10/15/2011	2/1/2019	N	5.000 %	175,000.00	205,012.50	Moody's	A2	203,856.28	0.00	203,856.28	0.00	0.00

MCDONALDS	58013MED 2	10/15/2011	3/1/2013	N	4.300 %	100,000.00	105,550.00	Moody's	A2	100,628.50	0.00	100,628.50	0.00	0.00
MIDAMER ENGR	595620AD7	10/15/2011	10/1/2014	N	4.650 %	130,000.00	143,702.00	Moody's	Baa1	138,766.68	0.00	138,766.68	0.00	0.00
MORGAN STANLEY	61746BDB 9	6/28/2011	10/18/2016	N	5.750 %	150,000.00	162,219.00	Moody's	Baa1	166,285.20	0.00	166,285.20	0.00	0.00
NORDSTROM	655664AN0	10/15/2011	5/1/2020	N	4.750 %	175,000.00	204,050.00	Moody's	Baa3	203,167.13	0.00	203,167.13	0.00	0.00
OCCIDENTAL	674599CC7	10/15/2011	2/15/2022	N	3.125 %	125,000.00	129,533.75	Moody's	A1	132,960.75	954,937.15	132,960.75	0.00	0.00
PNC	693476BF9	10/15/2011	6/10/2019	N	6.700 %	165,000.00	210,091.20	Moody's	A3	210,512.61	0.00	210,512.61	0.00	0.00
SCHERING	806605AE1	10/15/2011	12/1/2013	N	5.300 %	200,000.00	220,394.00	Moody's	Ba1	209,089.40	0.00	209,089.40	0.00	0.00
STARBUCKS	855244AC3	10/15/2011	8/15/2017	N	6.250 %	155,000.00	182,900.00	Moody's	Aa3	186,443.15	0.00	186,443.15	0.00	0.00
UNITED TECH	913017BM 0	10/15/2011	12/15/2017	N	5.375 %	165,000.00	193,177.05	Moody's	Baa1	196,120.32	0.00	196,120.32	0.00	0.00
Totals:						\$3,140,000.00	\$3,550,850.75			\$3,558,086.87	\$954,937.15	\$3,558,086.87	\$0.00	\$0.00

	Par Value of Security	Cost Excluding Interest and Charges	Market Value End of Year	Interest Received and Accrued	Book Value	Accrual of Discount	Amortization of Premium
Totals:	\$4,715,000.00	\$5,131,267.25	\$5,227,896.87	\$954,937.15	\$5,227,896.87	\$0.00	\$0.00

Schedule D - Part 3

Investments in US Government & Agency Obligations Held at End of Year

Security Description	CUSIP Number	Date Acquired	Maturity Date	Var. Rate	Rate	Par Value of Security	Cost Excluding Interest and Charges	Market Value End of Year	Interest Received and Accrued	Book Value (Amortized Cost)	Accrual of Discount	Amortization of Premium
10252 Treasury Notes												
USTN	912828HH6	12/17/2007	11/15/2017	N	4.250 %	675,000.00	676,054.69	790,383.15	0.00	\$790,383.15	0.00	0.00
USTN	912828CT5	12/27/2007	8/15/2014	N	4.250 %	245,000.00	247,368.66	260,867.67	0.00	\$260,867.67	0.00	0.00
USTN	912828AU4	9/5/2008	2/15/2013	N	3.875 %	500,000.00	524,062.50	502,265.50	0.00	\$502,265.50	0.00	0.00
Totals:						\$1,420,000.00	\$1,447,485.85	\$1,553,516.32	\$0.00	\$1,553,516.32	\$0.00	\$0.00
10261 Government National Mortgage Association (GNMA)												
GNMA 330847	36224KP86	11/23/1992	10/15/2022	N	7.500 %	1,521.26	1,570.65	1,597.30	0.00	\$1,597.30	0.00	0.00
GNMA 610184	36202U2R3	12/16/2003	5/15/2018	N	5.000 %	11,318.74	11,525.60	12,452.74	0.00	\$12,452.74	0.00	0.00
GNMA 623180	36291BJZ1	2/25/2004	12/15/2018	N	5.000 %	38,637.60	39,863.13	42,508.61	0.00	\$42,508.61	0.00	0.00
GNMA 628927	36291HVU5	8/9/2004	6/15/2019	N	4.500 %	32,770.82	32,512.63	35,941.06	0.00	\$35,941.06	0.00	0.00
Totals:						\$84,248.42	\$85,472.01	\$92,499.71	\$0.00	\$92,499.71	\$0.00	\$0.00
10284 Federal Farm Credit Banks												
FFCB	31331TNP2	2/9/2004	12/18/2013	N	4.800 %	250,000.00	254,812.50	261,086.00	0.00	\$261,086.00	0.00	0.00
FFCB	31331S7B3	1/9/2006	9/23/2013	N	4.450 %	125,000.00	122,153.75	128,865.13	0.00	\$128,865.13	0.00	0.00
FFCB	31331XEK4	11/12/2006	11/21/2017	N	5.000 %	100,000.00	99,891.00	119,642.00	0.00	\$119,642.00	0.00	0.00
FFCB	31331XRS3	11/9/2007	4/7/2014	N	4.950 %	150,000.00	151,635.00	158,955.15	0.00	\$158,955.15	0.00	0.00
FFCB	31331XZB1	11/9/2007	5/18/2017	N	5.050 %	150,000.00	150,526.50	178,363.05	0.00	\$178,363.05	0.00	0.00
FFCB	31331J5F6	12/16/2010	12/16/2020	N	3.625 %	250,000.00	250,000.00	289,019.75	0.00	\$289,019.75	0.00	0.00
FFCB	31331KDX5	3/9/2018	3/9/2018	N	3.125 %	250,000.00	248,830.00	275,862.25	0.00	\$275,862.25	0.00	0.00
Totals:						\$1,275,000.00	\$1,277,848.75	\$1,411,793.33	\$0.00	\$1,411,793.33	\$0.00	\$0.00
10285 Federal Home Loan Mortgage Corporation (Freddie Mac)												
FHLMC C90037	31335HBE2	12/11/1997	11/1/2013	N	6.000 %	4,348.71	4,237.55	4,727.04	0.00	\$4,727.04	0.00	0.00
Totals:						\$4,348.71	\$4,237.55	\$4,727.04	\$0.00	\$4,727.04	\$0.00	\$0.00
10286 Federal Home Loan Banks												
FHLB	3133X0PF0	12/30/2004	8/15/2018	N	5.375 %	200,000.00	207,132.00	246,739.80	0.00	\$246,739.80	0.00	0.00
FHLB	3133XHRJ3	11/28/2006	12/10/2021	N	5.000 %	750,000.00	746,302.50	951,201.75	0.00	\$951,201.75	0.00	0.00
FHLB	3133X72S2	2/13/2007	5/15/2019	N	5.375 %	250,000.00	254,475.00	313,495.50	0.00	\$313,495.50	0.00	0.00

FHLB	3133XDTC5	5/9/2007	12/11/2015	N	5.000 %	250,000.00	250,160.00	283,405.25	0.00	\$283,405.25	0.00	0.00
FHLB	3133XHVS8	5/10/2007	12/9/2016	N	5.000 %	250,000.00	249,702.50	291,947.75	0.00	\$291,947.75	0.00	0.00
FHLB	3133MSK41	12/11/2007	8/15/2022	N	5.250 %	500,000.00	512,794.00	641,719.00	0.00	\$641,719.00	0.00	0.00
FHLB	3133XQBC5	3/25/2008	3/13/2015	N	4.125 %	500,000.00	504,660.00	540,361.50	0.00	\$540,361.50	0.00	0.00
FHLB	313370E38	12/3/2010	6/12/2020	N	3.375 %	200,000.00	201,379.60	227,083.60	0.00	\$227,083.60	0.00	0.00
FHLB	3133XWYB9	2/25/2011	2/26/2020	N	3.000 %	100,000.00	102,003.00	100,371.00	0.00	\$100,371.00	0.00	0.00
FHLB	313372HF4	2/25/2011	2/16/2023	N	2.000 %	500,000.00	499,000.00	504,653.00	0.00	\$504,653.00	0.00	0.00
FHLB	313372C36	3/3/2011	12/8/2017	N	3.125 %	725,000.00	726,069.37	805,662.78	0.00	\$805,662.78	0.00	0.00
FHLB	3133XN4B2	12/9/2012	12/9/2022	N	5.250 %	500,000.00	647,450.00	645,429.50	0.00	\$645,429.50	0.00	0.00
Totals:						\$4,725,000.00	\$4,901,127.97	\$5,552,070.43	\$0.00	\$5,552,070.43	\$0.00	\$0.00

10290 Federal National Mortgage Association (FNMA)

FNMA	3136F94C4	9/8/2010	1/14/2019	N	3.275 %	350,000.00	362,953.50	393,255.10	0.00	\$393,255.10	0.00	0.00
Totals:						\$350,000.00	\$362,953.50	\$393,255.10	\$0.00	\$393,255.10	\$0.00	\$0.00

	Par Value of Security	Cost Excluding Interest and Charges	Market Value End of Year	Interest Received and Accrued	Book Value (Amortized Cost)	Accrual of Discount	Amortization of Premium
Totals:	\$7,858,597.13	\$8,079,125.63	\$9,007,861.93	\$0.00	\$9,007,861.93	\$0.00	\$0.00

Schedule J - Part 3

Investments in Common and Preferred Stock Held at End of Year

Security Description	CUSIP Number	Shares	Trade Date	Market Price End of Year	Cost	Unit Cost at Time of Purchase	Market Value End of Year	Dividends / Income	Unrealized Gains / Losses
10451 Domestic Common									
MB FINANCIAL 66465281	966837106	43018.350	12/31/2011	41.65	1,507,442.29	35.04	1,791,512.72	44,416.37	178,435.71
Totals:					\$1,507,442.29		\$1,791,512.72	\$44,416.37	\$178,435.71
						Cost	Market Value End of Year	Dividends / Income	Unrealized Gains / Losses
Totals:					\$1,507,442.29		\$1,791,512.72	\$44,416.37	\$178,435.71

Schedule K - Part 3

Investments in Mutual Funds Held at End of Year

Security Description	CUSIP Number	Shares	Trade Date	Market Price End of Year	Cost	Unit Cost at Time of Purchase	Market Value End of Year	Dividends / Income	Unrealized Gains / Losses
10550 Mutual Funds									
DF DENT GWTH	349903419	101780.535	12/31/2012	19.50	1,230,295.87	12.09	1,984,720.43	0.00	0.00
EATON VANCE SMALL	277905444	99734.505	12/31/2012	14.72	1,049,058.58	10.52	1,468,091.91	0.00	0.00
FMI LC	302933205	56661.630	12/31/2012	17.10	706,812.48	12.47	968,913.87	0.00	0.00
HARBOR INTL	411511306	30451.842	12/31/2012	62.12	1,453,644.51	47.74	1,891,668.43	0.00	0.00
IVY ASSET	466001864	75020.233	12/31/2012	26.07	1,539,542.91	20.52	1,955,777.47	0.00	0.00
NUVEEN RE	670678507	38159.008	12/31/2012	21.26	521,887.32	13.68	811,260.51	0.00	0.00
PRIMCO INCOME	72201F490	40485.830	12/31/2012	12.36	500,000.00	12.35	500,404.86	0.00	0.00
RIDGEWORTH LC	76628R672	39491.288	12/31/2012	14.21	527,973.94	13.37	561,171.20	0.00	0.00
WM BLAIR INTL GWTH	093001774	87352.463	12/31/2012	22.94	1,487,008.04	17.02	2,003,865.50	336,582.16	1,315,282.90
Totals:					\$9,016,223.65		\$12,145,874.18	\$336,582.16	\$1,315,282.90
					Cost		Market Value End of Year	Dividends / Income	Unrealized Gains / Losses
Totals:					\$9,016,223.65		\$12,145,874.18	\$336,582.16	\$1,315,282.90

VILLAGE OF OAK BROOK
POLICE PENSION FUND
INVESTMENT POLICY

PURPOSE

The investment of pension funds is the responsibility of the members of the Board of Trustees (Pension Board) of the Oak Brook Police Pension Fund (Fund). The purpose of this investment policy is to indicate a conscious, formal effort by the Pension Board to develop, implement and monitor the investment of pension funds. It shall be considered the means to communicate the Pension Board's policy views on management of pension fund assets to the public, participants, beneficiaries, and all interested parties of the Fund.

SCOPE

This policy governs the investment practices and applies to all financial transactions of the Oak Brook Police Pension Fund.

OBJECTIVES

The Pension Board and its investment advisors have a fiduciary responsibility to discharge their duties with respect to the pension fund solely in the interest of the participants and beneficiaries as set forth in the Illinois Pension Code at 40 ILCS 5/1-109.

Safety - Safety of principal is the foremost objective of the Oak Brook Police Pension Fund. Each investment transaction shall be made prudently by the board and seek to avoid large capital losses due to securities defaults or erosion of market value.

Return on Investments - The Pension Board seeks to attain or exceed market rates of return on its investments consistent with constraints imposed by its safety objectives, cash flow considerations and Illinois Laws that restrict the placement of public funds.

Maintenance of Public Trust - All participants in the investment process shall seek to act responsibly as custodians of pension funds. Investment officials shall avoid any transactions that might reasonably impair Fund participant's confidence in the Pension Board's ability to manage the Fund.

Liquidity - The assets shall be sufficiently liquid to meet the Fund's disbursement requirements for the payment of operating expenses and benefits.

RESPONSIBILITY

Management of the investment program is the responsibility of the Oak Brook Police Pension Fund Board of Trustees. No person may engage in an investment transaction except as provided under terms of this policy established by the Pension Board.

The Pension Board may appoint an investment manager (as defined in 40 ILCS 5/1 - 101.4) to assist in the management of the investment program. The investment manager shall acknowledge, in writing, that they are a fiduciary with respect to the Oak Brook Police Pension Fund. Any such written agreement shall be attached to this policy.

The Pension Board will meet with the investment manager quarterly to review market conditions and to determine investment strategy. The Treasurer of the Village of Oak Brook (Treasurer) is responsible for ensuring that all investment transactions undertaken are consistent with the Fund's investment strategy.

Investment restrictions established by the State of Illinois Pension Code are listed in detail in Exhibit 1 at the end of this policy statement.

Trustee Training Requirement

All Pension Board members shall participate in mandatory trustee certification training as required under the Illinois Pension Code at *40 ILCS 5/1-109.3*.

PRUDENCE

The standard of prudence to be used by investment officials shall be the "prudent person" and shall be applied in the context of managing the portfolio. Investments shall be made with the care, skill, prudence and diligence that a prudent person acting in like capacity and familiar with such matters would use in the conduct of an enterprise of like character with like aims.

PROHIBITED TRANSACTIONS

A Fiduciary with respect to the Fund shall not:

1. Deal with the assets of the Fund in their own interests or for their own account.
2. In their individual or other capacity act in any transaction involving the Fund on behalf a party whose interests are adverse to the interests of the Fund or the interests of its participants or beneficiaries.

3. Receive any consideration for their own personal account from any party dealing with the Fund in connection with a transaction involving the assets of the Fund.

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:

Peer Group	Market Index/Benchmark
Domestic Large Cap Equity	Russell 1000
Domestic Mid Cap Equity	Russell Mid Cap
Domestic Small Cap Equity	Russell 2000
REIT	Wilshire REIT
Intermediate Term Bond	Barclays Intermediate Aggregate
World Bond	BOA ML EM Sovereign Bond
Foreign Large Cap Equity	MSCI EAFE
Diversified Emerging Markets	MSCI Emerging Markets
Equity Energy/Commodities	DOW UBS Energy
Tactical/Defensive Strategy	60/40 (S&P500/Barclays Agg)
Money Market	ML 90 Day Treasury

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.

The Treasurer is named as an authorized signature on all Fund accounts. All Fund disbursements shall be authorized by the Pension Board and be executed by two (2)

signatures. One of the signatures shall be the Treasurer and the other shall be a Trustee authorized by the Board.

Rebalancing of Strategic Allocation

The percentage allocation to each peer group may vary depending upon market conditions. When necessary and/or available, cash inflows/outflows will be deployed in a manner consistent with the strategic asset allocation and allocation ranges of the plan. If there are no cash flows, the allocation of the plan will be reviewed quarterly.

If the Trustees judge cash flows to be insufficient to bring the plan within the target allocation ranges, the Trustees shall decide whether to effect transactions to bring the allocation of plan assets within the threshold ranges.

Asset Class	Minimum Allocation	Maximum Allocation
Fixed Income & Cash	35%	65%
Equity	35%	65%

Within the equity asset class as defined by state statute the following limits are placed:

Domestic Large Cap Equity	10%	40%
Domestic Mid Cap Equity	0%	15%
Domestic Small Cap Equity	0%	25%
REIT	0%	10%
World Bond	0%	10%
Foreign Large Cap Equity	0%	20%
Diversified Emerging Markets	0%	10%
Equity Energy/Commodities	0%	10%
Tactical/Defensive Strategy	0%	10%

COLLATERALIZATION

It is the policy of the Fund to require that all deposits in excess of FDIC insurable limits (applies to bank Certificates of Deposit) be secured by collateral in order to protect deposits from default.

1. Eligible collateral instruments and collateral ratios (market value divided by deposit) are as follows:
 - a. U.S. Government Securities = 110%
 - b. Obligations of Federal Agencies = 115%
 - c. Obligations of the State of Illinois = 115%
 - d. Local and Municipal Bonds rated "A" or better by Moody's = 115%

The ratio of fair market value of collateral to the amount of funds secured shall be reviewed at least quarterly and additional collateral shall be requested when the ratio declines below the level required.

2. Safekeeping of collateral

- a. Third party safekeeping is required for all collateral. To accomplish this, the securities can be held at the following locations:
 1. A Federal Reserve Bank or branch office.
 2. At another custodial facility - generally in a trust department through book-entry at the Federal Reserve, unless physical securities are involved. If physical securities are involved, at a third party depository in a suitable vault and insured against loss by fire, theft and similar causes.
- b. Safekeeping of collateral shall be documented by a written agreement approved by the Treasurer. This may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement.
- c. Substitution or exchange of securities held in safekeeping as collateral may occur without prior written notice to the Treasurer provided that the market value of the replacement securities are equal to or greater than the market value of the securities being replaced. The Treasurer shall be notified in writing within two days of all substitutions.

CUSTODY AND SAFEKEEPING OF INVESTMENTS

1. Third party safekeeping is required for all securities owned by the Fund. To accomplish this, the securities shall be held in a trust department through book-entry at the Depository Trust Company.
2. Safekeeping shall be documented by an approved written agreement. The agreement may be in the form of a safekeeping agreement, trust agreement, escrow agreement or custody agreement. Fees for this service shall be mutually agreed upon by the Pension Board and the safekeeping bank.
3. The Board of Trustees of the Pension Fund shall be kept abreast with respect to any security lending practices, whether it is fixed income or equities by the safekeeping bank.

ETHICS AND CONFLICTS OF INTEREST

Any fiduciary with respect to the Fund shall refrain from personal business activity that could conflict with the proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

INDEMNIFICATION

In accordance with the Illinois Pension Code at *40 ILCS 5/1-107*, the Pension fund shall indemnify and protect the Pension Board (Trustees), investment officers, staff, the Treasurer, and consultants against all damage claims and suits, including the defense thereof, when damages are sought for negligent or wrongful acts alleged to have been committed in the scope of employment or under the direction of the Trustees. However, the Pension Board, investment officers, staff, the Treasurer, and the consultants shall not be indemnified for willful misconduct and gross negligence.

REPORTING

On a monthly basis, the Treasurer shall submit to the Pension board an investment report which shall describe the portfolio in terms of investment securities, maturity, cost, and earnings for the current period and year to date. The Treasurer shall also submit a comprehensive annual report on the investment program and activity.

MEETING SCHEDULE

The Board shall schedule quarterly meetings generally in January, April, July and October of each year. Special meetings may be called from time-to-time by the Police Pension Fund President.

AUDIT

The Police Pension Fund shall be audited annually by a certified public accountant in conjunction with the Village's Audit. In addition, the fund is subject to periodic examination by the Illinois Department of Insurance.

AMENDMENT

This policy may be amended from time to time by the Pension Board.

CONFLICT

In the event of any conflict between this Policy and the Illinois Compiled Statutes or case decisions of the State of Illinois, the Statutes and case law decisions shall govern.

ADOPTION

Adopted by the Oak Brook Police Pension Fund Board of Trustees, as amended, on this 29th day of October, 2013.

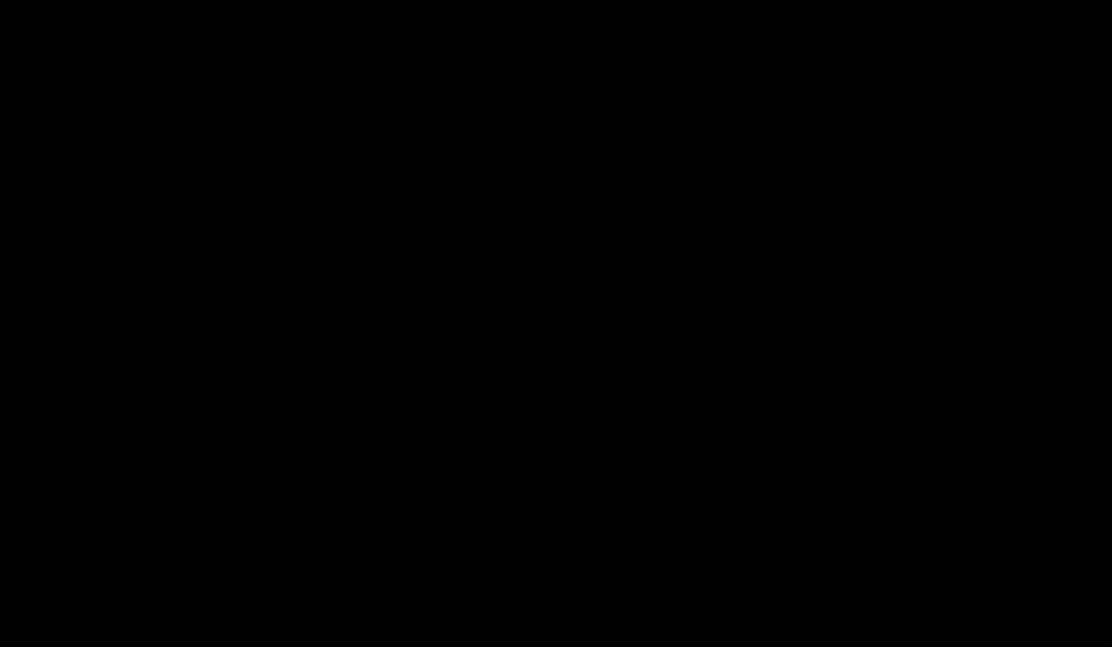


Exhibit I
Oak Brook, Illinois Police Pension Fund
Investment Restrictions

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 113.4. Permitted investment instruments include, but are not limited to:

- Interest bearing direct obligations of the United States of America.
- 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.
- 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:
The Federal National Mortgage Association and the Student Loan Marketing Association; 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; federal home loan banks and the Federal Home Loan Mortgage Corporation; and any agency created by Act of Congress that is authorized to issue direct debt obligations of the United States of America.
- 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.
- Interest bearing savings accounts or certificates of deposit, issued by State of Illinois chartered banks or savings and loan associations, to the extent that the deposits are insured by agencies or instrumentalities of the federal government.
- Investments in credit unions, to the extent that the investments are insured by agencies or instrumentalities of the federal government.
- Interest bearing bonds of the State of Illinois.
- 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.
- Interest bearing bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois.
- Direct obligations of the State of Israel, subject to the conditions and limitations of item (5.1) of Section 1-113.
- Money market mutual funds managed by investment companies that are registered under the federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies; provided that the portfolio of the money market mutual fund is limited to the following:
 - (i) bonds, notes, certificates of indebtedness, treasury bills, or other securities that are guaranteed by the full faith and credit of the United States of America as to principal and interest;
 - (ii) bonds, notes, debentures, or other similar obligations of the United States of America or its agencies; and
 - (iii) short term obligations of corporations organized in the United States with assets exceeding \$400,000,000, provided that

(A) the obligations mature no later than 180 days from the date of purchase, (B) at the time of purchase, the obligations are rated by at least 2 standard national rating services at one of their 3 highest classifications, and (C) the obligations held by the mutual fund do not exceed 10% of the corporation's outstanding obligations.

- General accounts of life insurance companies authorized to transact business in Illinois.
 - Any combination of the following, not to exceed 10% of the pension fund's net assets:
 - (i) separate accounts that are managed by life insurance companies authorized to transact business in Illinois and are comprised of diversified portfolios consisting of common or preferred stocks, bonds, or money market instruments;
 - (ii) separate accounts that are managed by insurance companies authorized to transact business in Illinois, and are comprised of real estate or loans upon real estate secured by first or second mortgages; and
 - (iii) mutual funds that meet the following requirements:
 - (A) the mutual fund is managed by an investment company as defined and registered under the federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953;
 - (B) the mutual fund has been in operation for at least 5 years;
 - (C) the mutual fund has total net assets of \$250 million or more; and
 - (D) the mutual fund is comprised of diversified portfolios of common or preferred stocks, bonds, or money market instruments.
- (14) Corporate bonds managed through an investment advisor must meet all of the following requirements:
- (1) The bonds must be rated as investment grade by one of the 2 largest rating services at the time of purchase.
 - (2) If subsequently downgraded below investment grade, the bonds must be liquidated from the portfolio within 90 days after being downgraded by the manager.

Common Stocks:

- (1) 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 Section 3.G of the Illinois Securities Law of 1953) or quoted in the National Association of Securities Dealers Automated Quotation System National Market System (NASDAQ NMS).
- (2) 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.
- (3) The corporation has not been in arrears on payment of dividends on its preferred stock during the preceding 5 years.
- (4) The market value of stock in any one corporation does not exceed 5% of the cash and invested assets of the pension fund, and the investments in the stock of any one corporation do not exceed 5% of the total outstanding

stock of that corporation.

(5) The straight preferred stocks or convertible preferred stocks are issued or guaranteed by a corporation whose common stock qualifies for investment by the board.

(6) The issuer of the stocks has been subject to the requirements of Section 12 of the federal Securities Exchange Act of 1934 and has been current with the filing requirements of Sections 13 and 14 of that Act during the preceding 3 years.

(b) A pension fund's total investment in the items authorized under this Section and Section 1-113.3 shall not exceed 35% of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Illinois Department of Insurance.

(c) A pension fund that invests funds under this Section shall electronically file with the Division any reports of its investment activities that the Division may require, at the times and in the format required by the Division.

Exhibit II – Glossary

Beneficiary - person eligible for or receiving benefits from a pension fund.

Book Entry Security - securities that can be transferred from institution to institution using the federal electronic wire system, thus eliminating the physical transfer of certificates. Records are maintained on a computer system at the Federal Reserve.

Collateral - the pledging of a security to guarantee performance of an obligation.

Commercial Paper - unsecured promissory notes of corporations issued for 270 days or less.

Fiduciary - person entrusted with the control of assets for the benefit of others.

Investment Manager - an individual or organization that provides investment management services for a fee, either on a discretionary or nondiscretionary basis. Under Illinois law, an investment manager is considered a fiduciary with respect to the Fund.

IPTIP (Illinois Public Treasurers' Investment Pool) - a short-term money market fund for public funds in Illinois.

Market Value - the present price of a given security.

Merrill Lynch Treasury Index - benchmark index that quantifies the price and yield performance of all U.S. Treasury obligations with a maturity of at least one year and an outstanding par value of at least \$100 million. The securities comprising the index are rebalanced on a daily basis.

Merrill Lynch Government/Corporate/Mortgage Index - benchmark index that quantifies the price and yield performance of all fixed rate, public investment grade debt obligations of the U.S. Treasury, all U.S. Government Agencies (including 30 year, 15 year, and balloon mortgage backed securities) and all U.S. corporations with a maturity of at least one year and an outstanding par value of at least \$100 million. The securities comprising the index are rebalanced on a daily basis.

Morgan Stanley Capital International Europe/Australia/Far East Index - Indices are based on the share prices of approximately 1,600 companies listed on stock exchanges in the twenty-two countries that make up the MSCI National Indices.

Return - the profit or interest as payment for investment.

Russell 2000 Stock Index - is comprised of the smallest 2000 companies in the Russell 3000 Index, representing approximately 11% of the Russell 3000 total market capitalization. The Index was developed with a base value of 135.00 as of December 31, 1986.

Security - any note, stock, bond, certificate of interest or certificate of deposit.

Separate Account - term used of variable annuities. Because the risk is borne by the investor in a variable annuity, the issuer may not commingle funds invested in the variable annuity with the general funds of the issuer.

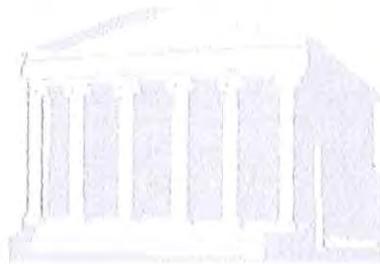
Standard & Poors 500 Stock Index - is a capitalization-weighted index of 500 stocks designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries. The index was developed with a base level of 10 for the 1941-43 base period.

Treasury Bill - short-term debt obligation of U.S. government which will mature within ten years at the time of original issuance.

Treasury Bond - longer debt obligations of U.S. government which will mature in ten years or longer at the time of original issuance.

Yield - percentage measured by taking annual interest from an investment and dividing by current market value.

Oak Brook Police Pension Fund

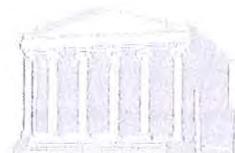


ACTUARIAL ASSUMPTION SUMMARY PROPOSED

Data Date: December 31, 2013

Actuarial Valuation Date: January 1, 2014

Contribution Year: January 1, 2014 to December 31, 2014



ACTUARIAL ASSUMPTION SUMMARY - PROPOSED

Expected Rate of Return on Assets

Explanation: The long-term rate of return on pension fund assets that is anticipated to be available to pay benefits (net of expenses).

Prior: 6.75%

Proposed: 6.75%

Reasoning: The assumption is based on the long-term expectation of returns for each broad asset class in the Fund, and the long-term anticipated asset allocation, and was discussed with the investment consultants. An offset was included for plan expenses. The Pension Board has not made any major changes to long-term investment philosophy and targets since the assumption was reviewed for the December 31, 2011 valuation.

Expected Pay Increases

Explanation: The expected increase in individual salaries into the future. Should capture all anticipated increases that impact pensionable pay. Projected future salaries are used to determine projected future benefits that will be paid by the pension fund.

Prior: 4.0%

Proposed: 4.0%

Reasoning: Pay increases are provided for cost of living and merit per the contract with the Village. A long-term pay increase of 2.5% is assumed for inflation. A long-term increase of 1.5% has been assumed to cover merit increases (ranging from 0% to 4%) and promotions. The Board reviewed this assumption as of December 31, 2011.



ACTUARIAL ASSUMPTION SUMMARY - PROPOSED

Expected Increase in Total Payroll

Explanation: The long-term expected increase in the total payroll for active employees. This assumption is used to budget contributions over employee working lifetimes.

Prior: 4.00%

Proposed: 4.00%

Reasoning: The assumption is based on the current employee mix with anticipated payroll increases to capture cost of living, as well as other adjustments.

Consumer Price Index-U

Explanation: The CPI-U is the rate that will be used to predict future COLA adjustments provided to Tier II employees.

Prior: 3.0%

Proposed: 3.0%

Reasoning: A review of the historical CPI-U rates shows an average rate of 2.5% - 3.0%.

Percent Married

Explanation: The expected percentage of fund members that will have a spouse at the time of their death that will begin a payment at that point.

Prior: 80%

Proposed: 80%

Reasoning: Based on a review of participant data for Illinois Police pension funds.



ACTUARIAL ASSUMPTION SUMMARY - PROPOSED

Mortality

Explanation: The probability that fund participants pass away at any given age. The assumption is used with active fund members to predict deaths that trigger a benefit for beneficiaries. In addition, the assumption is used to estimate the amount of payments an individual is expected to receive when payments begin.

Prior: The Lauterbach & Amen Study for Police in Illinois 2012

Proposed: The Lauterbach & Amen Study for Police in Illinois 2012

Age	Rate	Age	Rate
25	0.000	45	0.001
30	0.000	50	0.002
35	0.001	55	0.005
40	0.001	60	0.009

Reasoning: The assumption is based on a comprehensive study of mortality for active and retired Police officers in Illinois that was completed in December of 2012.

Additional: For active fund members, it is assumed that 5% of deaths are service-related deaths, which triggers a different benefit option than non-service-related deaths. This is based on our review of historical deaths for active Police Officers in Illinois.



ACTUARIAL ASSUMPTION SUMMARY - PROPOSED

Disability Rates

Explanation: The probability that fund participants become disabled any given age. The assumption is used with active fund members to predict disabilities that trigger a benefit payment.

Prior: The Lauterbach & Amen Study for Police in Illinois 2012 (100%)

Proposed: The Lauterbach & Amen Study for Police Officers in Illinois 2012 (100%)

Age	Rate	Age	Rate
25	0.001	45	0.006
30	0.002	50	0.007
35	0.004	55	0.009
40	0.005	60	0.012

Reasoning: The assumption is based on recent experience with Illinois Police per a comprehensive study completed in December of 2012. Incidence of disability in Oak Brook fallen in line with observations across the State of Illinois for Police Officer.

Additional: For active fund members, it is assumed that 70% of disabilities are duty disabilities, which triggers a different benefit option than non-duty disabilities. This is based on our review of historical disabilities for active Police Officers in Illinois.



ACTUARIAL ASSUMPTION SUMMARY - PROPOSED

Retirement Rates

Explanation: The probability that fund participants retire any given age. The assumption is used with active fund members to predict retirement dates that trigger a benefit payment.

Prior: The Lauterbach & Amen Study for Police in Illinois 2012 (100%), capped at Age 67

Proposed: The Lauterbach & Amen Study for Police in Illinois 2012 (100%), capped at Age 67.

Age	Rate	Age	Rate
50	0.170	62	0.350
55	0.220	65	0.500
59	0.250	67	1.000

Reasoning: The assumption reflects that Police are expected to retire at a steady rate over the first several years of eligibility. This is based on recent experience with Illinois Police Officers per a comprehensive study completed in December of 2012. Average retirement age for the Fund also falls in line with observations in the State of Illinois. The cap has been included to reflect the observations for the current Fund.



ACTUARIAL ASSUMPTION SUMMARY - PROPOSED

Termination Rates

Explanation: The probability that fund participants will terminate employment any given age prior to retirement eligibility. The assumption is used with active fund members to predict termination that could trigger deferred retirement benefits or contribution refunds.

Prior: The Lauterbach & Amen Study for Police in Illinois 2012 (110%)

Proposed: The Lauterbach & Amen Study for Police in Illinois 2012 (110%)

Age	Rate	Age	Rate
25	0.071	40	0.021
30	0.051	45	0.013
35	0.034	50	0.000

Reasoning: The assumption is based on recent experience with Illinois Police Officers per a comprehensive study completed in December of 2012. Incidence of termination in the Fund have been slightly higher than other communities, so the rates have been weighted accordingly.

