TSW
Actuary

**VILLAGE OF ALSIP**

**HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES**

Actuarial Valuation Report

For the Year

Beginning May 1, 2014

And Ending April 30, 2015

*Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600*

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INTRODUCTION

The Village of Alsip provides limited health care insurance coverage for its eligible retired employees. The purpose of this report is to provide to the Intended Users of this report, specifically the Intended Users are the Village Officials and the Village auditors, the reporting requirements of the GASB Statements No. 43 & 45 financial information and related actuarial information for the year for the year stated in this report. This report is not intended for distribution or usage to or by anyone who is not an Intended User and should not be used for any other purpose. The last actuarial valuation was completed two years ago, thus the results from the prior actuarial valuation were relied upon for the past two years and this year.

The valuation results reported herein are based on the employee data, plan provisions and the financial data provided by the Village. The actuary has relied on this information and does not assume responsibility for the accuracy or completeness of this information. I hereby certify that to the best of my knowledge this report is complete and accurate and fairly presents the actuarial position of the Plan in accordance with generally accepted actuarial principles and procedures. In my opinion, the assumptions used are reasonably related to the experience of the Plan and to reasonable expectations. A reasonable request for supplementary information not included in this report should be directed to the undersigned actuary.

The actuary cautions the Intended Users of the possibility of uncertainty or risks in any of the results in this report.

I, Timothy W. Sharpe, am an Enrolled Actuary and a member of the American Academy of Actuaries, and I meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,

Timothy W Sharpe

Timothy W. Sharpe, EA, MAAA
Enrolled Actuary No. 14-4384

8/13/2014
Date

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION

The Governmental Accounting Standards Board (GASB) issued Statements No. 43 & 45 that established generally accepted accounting principles for the annual financial statements for postemployment benefit plans other than pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

| | April 30, 2014[1] | April 30, 2013[1] |
|---|---|---|
| Retirees and beneficiaries receiving benefits | 67 | 67 |
| Terminated plan members entitled to but not yet receiving benefits | 0 | 0 |
| Active vested plan members | 71 | 71 |
| Active nonvested plan members | 55 | 55 |
| Total | 193 | 193 |
| Number of participating employers | 1 | 1 |

SCHEDULE OF FUNDING PROGRESS

| Actuarial Valuation Date | Actuarial Value of Assets (a) | Actuarial Accrued Liability (AAL) -Entry Age (b) | Unfunded AAL (UAAL) (b-a) | Funded Ratio (a/b) | Covered Payroll (c) | UAAL as a Percentage of Covered Payroll ((b-a)/c) |
|---|---|---|---|---|---|---|
| 04/30/12 | 0 | 12,257,486 | 12,257,486 | 0.0% | | |
| 04/30/13[1] | 0 | 12,257,486 | 12,257,486 | 0.0% | | |
| 04/30/14[1] | 0 | 12,257,486 | 12,257,486 | 0.0% | | |

[1] Results from prior year.

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

| | April 30, 2014 |
|---|---|
| Annual required contribution | 994,737 |
| Interest on net OPEB obligation | 75,091 |
| Adjustment to annual required contribution | (62,576) |
| Annual OPEB cost | 1,007,252 |
| Contributions made | 644,653 |
| Increase (decrease) in net OPEB obligation | 362,599 |
| Net OPEB obligation beginning of year[2] | 1,877,272 |
| Net OPEB obligation end of year | 2,239,871 |

THREE-YEAR TREND INFORMATION

| Fiscal Year Ending | Annual OPEB Cost | Percentage of Annual OPEB Cost Contributed | Net OPEB Obligation |
|---|---|---|---|
| 04/30/12 | 688,349 | 66.9% | 1,517,073 |
| 04/30/13[2] | | | 1,877,272 |
| 04/30/14 | 1,007,252 | 64.0% | 2,239,871 |

ANNUAL REQUIRED CONTRIBUTION

| | April 30, 2015[1] | April 30, 2014[1] |
|---|---|---|
| Service Cost | 547,895 | 547,895 |
| Amortization | 408,583 | 408,583 |
| Interest | 38,259 | 38,259 |
| Annual required contribution | 994,737 | 994,737 |

[1] Results from prior year.
[2] Provided by Village.

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION (Continued)

FUNDING POLICY AND ACTUARIAL ASSUMPTIONS

The last actuarial valuation was completed two years ago (04/30/2012). The Net OPEB Obligation has been updated through 04/30/2014.

| | |
|---|---|
| Contribution rates: | |
| Village | |
| Plan members | 0.00% |
| | |
| Actuarial valuation date | 04/30/2012 |
| | |
| Actuarial cost method | Entry age |
| Amortization period | Level percentage of pay, open |
| Remaining amortization period | 30 years |
| Asset valuation method | Market |
| | |
| Actuarial assumptions: | |
| Investment rate of return* | 4.00% |
| Projected salary increases | 4.00% |
| Healthcare inflation rate | 8.00% initial, 6.00% ultimate (0.5% reduction per year) |
| Mortality, Turnover, Disability, Retirement Ages | Similar rates utilized for IMRF, Police and Firefighter Pension Funds |
| Percentage of Active Employees Assumed to Elect Benefit | 100% |
| Assumed Coverage Elections | 50% Single Coverage, 50% Single plus Spouse |
| Current Premium Rates | to age 65: Single: $617/mo; Single plus Spouse: $1,192/mo after age 65: Single: $617/mo; Single plus Spouse: $1,234/mo |

| | |
|---|---|
| * Includes inflation at | 3.00% |

**VILLAGE OF ALSIP**

**GASB 45 Summary as of April 30, 2012**

| **Division** | **Service Cost** | **Active Liability** | **Retired Liability** | **Total Liability** | **Annual Required Contribution** | **Expected Payments** | **Actives** | **Retirees** | **Total** |
|---|---|---|---|---|---|---|---|---|---|
| IMRF | 135,400 | 1,574,906 | 345,235 | 1,920,141 | 207,381 | 95,056 | 50 | 18 | 68 |
| Police | 208,627 | 2,580,709 | 2,746,059 | 5,326,768 | 401,633 | 341,461 | 41 | 25 | 66 |
| Fire | 203,868 | 2,814,350 | 2,196,228 | 5,010,578 | 385,723 | 208,136 | 35 | 24 | 59 |
| **Total** | 547,895 | 6,969,964 | 5,287,522 | 12,257,486 | 994,737 | 644,653 | 126 | 67 | 193 |

**Discount Rate: 4.0%**

**Medical Inflation Rate: 8.0% initial, 6.0% ultimate**

**Future Payroll Increases: 4.0%**

SUMMARY OF PLAN PROVISIONS AND BENEFITS

The Employer is subject to the State of Illinois Municipal Employee's Health Insurance Continuation Law:

"Municipal Continuation coverage must be offered to you and your eligible dependents who were covered under your group coverage on the day before your retirement or disability period began. The retirement or disability period begins on the day you are removed from the municipality's payroll for any of the following reasons:

- You retire from active service and are immediately eligible for an IMRF pension (40 ILCS 5/7-101). You are not required to actually begin the pension, but must be eligible to immediately receive the pension on the date of termination;
- You are eligible to receive an IMRF disability benefit;
- You are an IMRF SLEP (Sheriff Law Employment Personnel) participant who terminates employment (at any age) with at least 20 years of SLEP credit.

The premium for Municipal Continuation coverage for you, your spouse and dependent children may not exceed that of the group rate. The municipality is not required by law to pay any portion of the continuation premium. However, a collective bargaining agreement may contain terms for such an arrangement.

Benefits must be the same as they were under your previous group coverage. However, if you are Medicare eligible, you may be provided with a reduced benefit plan, even if you do not elect Medicare Part B.

Municipal Continuation coverage must be provided until the end of your retirement or disability period, as long as you pay premiums. The retirement or disability period ends when any of the following events occur:

- You return to IMRF covered employment;
- You take a refund of IMRF contributions;
- You lose your pension or disability benefits due to conviction of a job-related felony;
- You die;
- Your former employer terminates health coverage for all employees (both active employees and those on continuation).

If your surviving spouse is entitled to receive a surviving spouse's monthly pension, Municipal Continuation coverage must be provided to your spouse and covered dependents without further election upon the timely payment of required premiums. The eligibility for the surviving spouse ends upon the death or remarriage of that spouse. Continuation for covered dependents end on the date it would have otherwise ended (such as attainment of the limiting age).

SUMMARY OF PLAN PROVISIONS AND BENEFITS (Continued)

You are still entitled to elect or continue your Municipal Continuation coverage even if you become eligible for Medicare. However, the plan may reduce its benefits for individuals who are eligible for Medicare, even if you do not elect Medicare."

The Employer's Implicit Rate Subsidy to age 65 is based on the Employer's current group rates, the age adjustments of GASB 45, Paragraph 35, Table 3, and adjusted for inflation.

There is no assumed Employer Implicit Rate Subsidy beyond age 65.

The Employer's Explicit Rate Subsidy for eligible disabled members is 100% of the premium for life, and adjusted for inflation.

The Employer's Explicit Rate Subsidy for eligible members is 50% of the premium to age 65, and 10% of the premium beyond age 65 for life, and adjusted for inflation.

The Employer's Explicit Rate Subsidy beyond age 65 is based on the Employer's current group rates, the age adjustments of GASB 45, Paragraph 35, Table 5, and adjusted for inflation.

ACTUARIAL METHOD AND TABLES

Entry Age Normal Cost Method

Under the Entry Age Normal Cost Method the Normal Cost for each participant is computed as the level percentage of pay which, if paid from the earliest age the participant is eligible to enter the plan until retirement or termination, will accumulate with interest to sufficiently fund all benefits under the plan.

The Accrued Liability is the theoretical amount that would have accumulated had annual contributions equal to the Normal Cost been paid. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

ACTUARIAL ASSUMPTIONS AND TABLES

The methods and assumptions disclosed in this report may reflect statutory requirements and may reflect the responsibility of the Principal and its advisors. In the event a method or assumption conflicts with the actuary's professional judgment, the method or assumption is identified in this report.

Mortality Table: 1994 GAM multiplied by 110% for males, 95% for females. There is no margin for future mortality improvement beyond the valuation date.

| Age | Mortality | Withdrawal | | | Disability | | | Retirement | |
|---|---|---|---|---|---|---|---|---|---|
| | | IMRF | Police | Fire | IMRF | Police | Fire | IMRF | Police & Fire |
| 20 | 0.05% | 5.5% | 6.0% | 4.0% | 0.01% | 0.07% | 0.17% | | |
| 25 | 0.07% | 5.1% | 6.0% | 3.5% | 0.01% | 0.08% | 0.19% | | |
| 30 | 0.09% | 4.7% | 5.1% | 2.6% | 0.01% | 0.10% | 0.20% | | |
| 35 | 0.09% | 3.8% | 4.1% | 1.8% | 0.02% | 0.11% | 0.24% | | |
| 40 | 0.11% | 3.0% | 2.9% | 1.1% | 0.04% | 0.20% | 0.30% | | |
| 45 | 0.17% | 2.5% | 1.7% | 0.6% | 0.06% | 0.29% | 0.41% | | |
| 50 | 0.28% | 2.3% | | | 0.09% | 0.52% | 0.62% | | 20% |
| 55 | 0.49% | | | | 0.15% | 0.99% | 1.09% | 35% | 42% |
| 60 | 0.88% | | | | 0.19% | 1.70% | 1.84% | 12% | 83% |
| 62 | 1.31% | | | | 0.20% | 2.20% | | 22% | 100% |
| 65 | 1.60% | | | | 0.20% | | | 30% | |
| 70 | 2.61% | | | | 0.17% | | | 20% | |
| 75 | 4.09% | | | | 0.12% | | | 18% | |
| 80 | 6.82% | | | | 0.10% | | | 100% | |