

Lauterbach & Amen, LLP  
668 N. River Road  
Naperville, IL 60563

Actuarial Valuation  
as of May 1, 2020



VILLAGE OF ALSIP, ILLINOIS  
POSTRETIREMENT HEALTH  
PLAN

GASB 74/75 Financial Statement Reporting

***LAUTERBACH & AMEN, LLP***

# Actuarial GASB Disclosures Statements 74 and 75

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## Lauterbach & Amen, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

### VILLAGE OF ALSIP, ILLINOIS POSTRETIREMENT HEALTH PLAN

**Fiscal Year Ending: April 30, 2020**

Actuarial Valuation Date: May 1, 2020

Measurement Date: April 30, 2020

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#### **Contact:**

Todd A. Schroeder  
November 11, 2020

***LAUTERBACH & AMEN, LLP***



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## ACTUARIAL CERTIFICATION

This certification provides supplemental information as required by the Governmental Accounting Standards Board. The enclosed schedules were prepared by the undersigned to provide general information to assist in the preparation of the Annual Financial Report. The assumptions and methods used in the preparation of this disclosure meet the parameters set for the disclosures presented in the financial section as required by the Governmental Accounting Standards Board. Additional information is also provided solely to assist the auditors in preparation of the required footnote disclosures.

The results in this report are based on information and data submitted by the Village of Alsip. We did not prepare the Actuarial Valuations for the years prior to May 1, 2014. 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 precision 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 involve actuarial calculations that require assumptions about future events. The Village of Alsip selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used in the 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 consultant of Lauterbach & Amen, LLP, with actuarial credentials, meets the Qualification Standards of the American Academy of Actuaries to render this Actuarial Certification. There is no relationship between the Village of Alsip and Lauterbach & Amen, LLP that impairs our objectivity.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

A handwritten signature in cursive script that reads "Todd A. Schroeder".

Todd A. Schroeder, ASA, FCA, EA, MAAA



## MANAGEMENT SUMMARY

Comments and Analysis

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## COMMENTS AND ANALYSIS

The following paragraphs are intended to describe the changes in Total OPEB Liability that occurred between the Village's last Measurement Date of April 30, 2019, and the current Measurement Date of April 30, 2020.

For the prior Measurement Date, the Employer elected to determine the Total OPEB Liability under limited procedures as allowed under GASB Statement Number 75. A full valuation was not run. Changes in the market discount rates were reflected but full census and premium information was not collected and processed. Changes that are reflected in Total OPEB Liability year over year may be reflective of Member population updates or claims/premium experience over the course of two years.

### **Expected Increase in Total OPEB Liability**

Each year the Total OPEB Liability is expected to increase with interest and the accrual of additional service by active plan Members. The increases are offset by decreases in liability due to benefit payments. The expected Total OPEB Liability increase for the current year was approximately \$1,714,000.

In addition to the expected increase in Total OPEB Liability, additional changes in Total OPEB Liability occurred between the prior valuation and the current year. Below are the key components of those changes.

### **Actuarial Experience**

The current valuation census contains 97 retirees while the previous valuation census contained 83. The current valuation census also contains 119 active employees, 13 of whom are waiving coverage. The previous valuation census contained 122 total actives, 34 of whom were waiving coverage.

Age-based claims came in lower than expected from the prior full valuation for pre-65 coverage. Premiums charged to the employees came in higher than expected. The result was a reduction in liability due to net costs to the employer decreasing.

Additionally, the employer costs do not include a load for the excise tax on high cost plans. The 40% excise tax under ACA was repealed.

Total actuarial experience resulted in a net decrease in Total OPEB Liability of approximately \$2,699,000.

### **Plan Changes**

The substantive plan changed from the prior valuation. Active employees are now required to have 20 years of service to qualify for a duty disability benefit (does not apply to PSEBA eligible benefits). Updates to the plan provisions resulted in a net increase in the Total OPEB Liability in the current year of approximately \$1,000.



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## COMMENTS AND ANALYSIS – CONTINUED

### Discount Rate

The Discount Rate was decreased from 3.79% for the Fiscal Year-Ended April 30, 2019 to 2.56% to better reflect the current high-quality fixed income environment. The underlying index used is the Bond Buyer 20-Bond G.O. Index. The rate has been updated to the current Fiscal Year-End based on changes in market conditions as reflected in the index. The rate selected is as of April 30, 2020, and is the most recent rate available prior to the Measurement Date. The change was made to reflect our understanding of the requirements for reporting under GASB Statement 75. See the *Actuarial Assumption Information* section of this report for further details.

### Assumption Changes

We performed a comprehensive study of Police and Firefighters' Pension Funds in the State of Illinois. The actuarial assumptions were changed in the current year to the tables shown in the *Statement of Significant Assumptions* section of this report. The assumptions impacted include:

- Inflation Rate
- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Termination Rates
- Disability Rates

In addition, the discount rate was updated as noted above.

The changes in the assumptions were made to better reflect the future anticipated experience in the plan. The changes included a review of the experience studies for the underlying pension systems for the employee groups and the requirements of GASB 75. The changes in assumptions resulted in a net increase in the Total OPEB Liability in the current year of approximately \$13,659,000.





## POSTRETIREMENT PLAN NET POSITION

Statement of OPEB Plan Net Position  
Statement of Changes in OPEB Trust and OPEB Plan Net Position  
Statement of OPEB Plan Benefit Payments and Contributions

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**STATEMENT OF OPEB PLAN NET POSITION**

|  | <u>4/30/2019</u> | <u>4/30/2020</u> |
|--|------------------|------------------|
| <b>Assets</b>  |                  |                  |
| Cash and Cash Equivalents                              | \$ -             | \$ -             |
| Total Cash   | -                | -                |
| Receivables:   |                  |                  |
| Due from Village                                       | -                | -                |
| Investment Income - Accrued Interest                   | -                | -                |
| Other  | -                | -                |
| Total Receivables                                      | -                | -                |
| Investments:   |                  |                  |
| Common Stock   | -                | -                |
| Total Investments                                      | -                | -                |
| Total Assets   | -                | -                |
| <b>Liabilities</b>                                     |                  |                  |
| Payables:  |                  |                  |
| Expenses Due/Unpaid                                    | -                | -                |
| Other  | -                | -                |
| Total Liabilities                                      | -                | -                |
| <b>Net Position Restricted for Postretirement Plan</b> | <u>\$ -</u>      | <u>\$ -</u>      |

The Total OPEB Liability is an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.



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**STATEMENT OF CHANGES IN OPEB TRUST AND OPEB PLAN NET POSITION**

|  | <u>4/30/2020</u><br><u>OPEB Trust</u> | <u>4/30/2020</u><br><u>OPEB Plan</u> |
|--|---------------------------------------|--------------------------------------|
| <b>Additions</b>                                       |                                       |                                      |
| Contributions  |                                       |                                      |
| Employer   | \$ -                                  | \$ 1,630,873                         |
| Member   | -                                     | -                                    |
| Other  | -                                     | -                                    |
| Total Contributions                                    | <u>-</u>                              | <u>1,630,873</u>                     |
| Investment Income                                      |                                       |                                      |
| Net Appreciation in Fair Value of Investments          | -                                     | -                                    |
| Interest and Dividends                                 | -                                     | -                                    |
| Less Investment Expense                                | -                                     | -                                    |
| Net Investment Income                                  | <u>-</u>                              | <u>-</u>                             |
| Total Additions  | <u>-</u>                              | <u>1,630,873</u>                     |
| <b>Deductions</b>                                      |                                       |                                      |
| Benefit Payments                                       | -                                     | 1,630,873                            |
| Administrative Expense                                 | -                                     | -                                    |
| Other  | -                                     | -                                    |
| Total Deductions                                       | <u>-</u>                              | <u>1,630,873</u>                     |
| Net Increase in Net Position                           | <u>-</u>                              | <u>-</u>                             |
| <b>Net Position Restricted for Postretirement Plan</b> |                                       |                                      |
| Beginning of Year                                      | <u>-</u>                              | <u>-</u>                             |
| End of Year  | <u>\$ -</u>                           | <u>\$ -</u>                          |

The Total OPEB Liability is an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.



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## STATEMENT OF OPEB PLAN BENEFIT PAYMENTS AND CONTRIBUTIONS

|   | <u>4/30/2020</u>    |
|---|---------------------|
| Employer Contributions                      |                     |
| OPEB Trust Contributions                    | \$ -                |
| Contributions from Other Village Resources* | <u>1,630,873</u>    |
| Total OPEB Plan Contributions               | <u>\$ 1,630,873</u> |
| Employer Benefit Payments                   |                     |
| Benefit Payments from Trust                 | \$ -                |
| Payments from Other Village Resources*      | <u>1,630,873</u>    |
| Total OPEB Plan Benefit Payments            | <u>\$ 1,630,873</u> |

A portion of the Employer Contributions and Benefit Payments is based on the cost sharing provisions. In addition, a portion is related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums.

\*Contributions from Other Village Resources and Benefit Payments from Other Village Resources refers to contributions made to and benefit payments made from the OPEB Plan that were not directly made to or from the OPEB Trust.

Of the benefit payments from Other Village Resources, \$1,163,120 are explicit benefit payments and \$467,753 are implicit benefit payments due to the presence of retirees in the determination of the blended retiree/active premiums.



## ACTUARIAL OPEB LIABILITY INFORMATION

Statement of Total OPEB Liability  
Statement of Changes in Total OPEB Liability  
Statement of Changes in Net OPEB Liability  
Deferred Outflows and Inflows of Resources  
Deferred Outflows and Inflows of Resources – Details  
OPEB Expense Development  
Breakdown of Liability

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## STATEMENT OF TOTAL OPEB LIABILITY

|   | <u>4/30/2019</u>     | <u>4/30/2020</u>     |
|---|----------------------|----------------------|
| Total Active Employees  | \$ 23,965,516        | \$ 35,088,039        |
| Inactive Employees Currently Receiving Benefit Payments               | 28,662,641           | 30,214,901           |
| Inactive Employees Entitled To But Not Yet Receiving Benefit Payments | -                    | -                    |
| Total Inactive Employees  | <u>28,662,641</u>    | <u>30,214,901</u>    |
| Total OPEB Liability  | <u>\$ 52,628,157</u> | <u>\$ 65,302,940</u> |

The Total OPEB Liability shown is dependent on several factors such as Plan Provisions and assumptions used in the report. In addition, the calculation of the Total OPEB Liability may be dependent on the OPEB Plan Net Position shown on the prior page. Changes in the OPEB Plan Net Position due to any factor, including adjustment on final audit, could change the Total OPEB Liability. The dependence of the Total OPEB Liability on the Net Position is due to the role of the Net Position (and projected Net Position) on the determination of the discount rate used for the Total OPEB Liability.

The Total OPEB Liability has been determined for GASB 74/75 reporting purposes only. The resulting Total OPEB Liability is intended to be used in the financial statement reporting of the postretirement plan and/or the Employer. The resulting liability is not intended to be a representation of the postretirement plan liability for other purposes, including but not limited to determination of cash funding requirements and recommendations, if applicable.



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## STATEMENT OF CHANGES IN TOTAL OPEB LIABILITY

| <b>Total OPEB Liability</b>  | <b>4/30/2020</b>                |
|--|---------------------------------|
| Service Cost   | \$ 1,381,192                    |
| Interest   | 1,963,702                       |
| Changes of Benefit Terms   | 653                             |
| Differences Between Expected and Actual Experience                     | (2,699,158)                     |
| Changes in Assumptions   | 13,659,267                      |
| Benefit Payments*  | (1,630,873)                     |
| Net Change in Total OPEB Liability                                     | 12,674,783                      |
| Total OPEB Liability - Beginning                                       | 52,628,157                      |
| Total OPEB Liability - Ending (a)                                      | <u>\$ 65,302,940</u>            |
| <br>OPEB Plan Net Position - Ending (b)                                | <br><u>\$ -</u>                 |
| <br><b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b>    | <br><u><b>\$ 65,302,940</b></u> |
| <br>OPEB Plan Net Position as a Percentage of the Total OPEB Liability | <br>0.00%                       |
| <br>Covered-Employee Payroll   | <br>\$ 9,163,784                |
| Employer's Net OPEB Liability as a Percentage of Employee Payroll      | 712.62%                         |

\*See the benefit breakdown in the *Statement of OPEB Plan Benefit Payments and Contributions* section of this report.

The OPEB Plan Net Position was detailed in the prior section of this report. The Employer's Net OPEB Liability is the excess of the Total OPEB Liability over the OPEB Plan Net Position. The changes in the Net OPEB Liability related to changes in assumptions are due to changes detailed in the *Management Summary* section of this report.

Total OPEB Liability may be dependent on the Net Position of the postretirement plan. Any changes in Net Position, including adjustments on final audit, can have an impact on Net OPEB Liability that extends beyond the dollar-for-dollar change in Net Position.

Covered-Employee Payroll is based on Total Covered Payroll for the postretirement plan Members during the Fiscal Year.



## STATEMENT OF CHANGES IN NET OPEB LIABILITY

The table below illustrates the change in the Net OPEB Liability from the prior Measurement Date to the current Measurement Date. Under Statement 75, the difference between the Net OPEB Liability from the prior Measurement Date to the current Measurement Date should be recognized as an expense, unless permitted to be recognized as a Deferred Outflow or Inflow of Resources.

|                                       | Increase (Decrease)            |                                  |                                    |
|---------------------------------------|--------------------------------|----------------------------------|------------------------------------|
|                                       | Total OPEB<br>Liability<br>(a) | OPEB Plan<br>Net Position<br>(b) | Net OPEB<br>Liability<br>(a) - (b) |
| <b>Balances Beginning at 5/1/2019</b> | <u>\$ 52,628,157</u>           | <u>\$ -</u>                      | <u>\$ 52,628,157</u>               |
| <b>Changes for the year:</b>          |                                |                                  |                                    |
| Service Cost                          | 1,381,192                      | -                                | 1,381,192                          |
| Interest                              | 1,963,702                      | -                                | 1,963,702                          |
| Actuarial Experience                  | (2,699,158)                    | -                                | (2,699,158)                        |
| Assumptions Changes                   | 13,659,267                     | -                                | 13,659,267                         |
| Plan Changes                          | 653                            | -                                | 653                                |
| Contributions - Employer              | -                              | 1,630,873                        | (1,630,873)                        |
| Contributions - Employee              | -                              | -                                | -                                  |
| Contributions - Other                 | -                              | -                                | -                                  |
| Net Investment Income                 | -                              | -                                | -                                  |
| Benefit Payments from the Plan        | (1,630,873)                    | (1,630,873)                      | -                                  |
| Administrative Expense                | -                              | -                                | -                                  |
| <b>Net Changes</b>                    | <u>12,674,783</u>              | <u>-</u>                         | <u>12,674,783</u>                  |
| <b>Balances Ending at 4/30/2020</b>   | <u><u>\$ 65,302,940</u></u>    | <u><u>\$ -</u></u>               | <u><u>\$ 65,302,940</u></u>        |

The changes in Total OPEB Liability above are described on the prior page. The OPEB Plan Net Position was detailed in the prior section of this report. The Employer's Net OPEB Liability is the excess of the Total OPEB Liability over the OPEB Plan Net Position.





## DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES

The table below shows the cumulative amounts to be shown as Deferred Outflows and Inflows of Resources. Changes in Total OPEB Liability related to the difference in actual and expected experience, or changes in assumptions regarding future events, are recognized in OPEB Expense over the expected remaining service life of all employees (active and retired) in the postretirement plan. Differences in projected and actual earnings over the measurement period are recognized over a 5-year period. Amounts not yet recognized are summarized below:

|  | Deferred Outflows<br>of Resources | Deferred Inflows<br>of Resources |
|--|-----------------------------------|----------------------------------|
| Differences Between Expected and Actual Experience   | \$ 480,525                        | \$ 2,394,663                     |
| Changes of Assumptions   | 13,295,776                        | -                                |
| Net Difference Between Projected and Actual<br>Earnings on Postretirement Plan Investments | -                                 | -                                |
| Total Deferred to Be Recognized in Future Expense  | <u>\$ 13,776,301</u>              | <u>\$ 2,394,663</u>              |
| Contributions Subsequent to the Measurement Date*  | \$ -                              | \$ -                             |
| Total  | <u>\$ 13,776,301</u>              | <u>\$ 2,394,663</u>              |

\*Contributions subsequent to the Measurement Date may be recognized as a reduction to the Net OPEB Liability. The amount is not known as of the date of this report. Subsequent to the Measurement Date, the following amounts will be recognized in OPEB Expense in the upcoming years:

| Year Ended |              |
|------------|--------------|
| April 30:  |              |
| 2021       | \$ 1,501,691 |
| 2022       | 1,501,691    |
| 2023       | 1,501,691    |
| 2024       | 1,501,691    |
| 2025       | 1,501,691    |
| Thereafter | 3,873,183    |



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## DEFERRED OUTFLOWS AND INFLOWS OF RESOURCES - DETAILS

The table below shows the annual detail amounts that have been summarized on the prior page. Under Statement 75, the level of detail shown on the prior page is sufficient for financial statement reporting. The detail shown below is primarily for tracking purposes.

| <b>OPEB Expense Source</b> | <b>Date<br/>Established</b> | <b>Initial<br/>Period</b> | <b>Initial<br/>Balance</b> | <b>Remaining<br/>Period</b> | <b>4/30/2020<br/>Expense<br/>Recognized</b> | <b>4/30/2020<br/>Deferred<br/>Balance</b> |
|----------------------------|-----------------------------|---------------------------|----------------------------|-----------------------------|---|---|
| Change in Assumptions Loss | 4/30/2020                   | 8.86                      | \$ 13,659,267              | 8.86                        | \$ 1,540,914                                | \$ 12,118,353                             |
| Actuarial Gain             | 4/30/2020                   | 8.86                      | (2,699,158)                | 8.86                        | (304,495)                                   | (2,394,663)                               |
| Change in Assumptions Loss | 4/30/2019                   | 8.25                      | 1,554,199                  | 7.25                        | 188,388                                     | 1,177,423                                 |
| Actuarial Loss             | 4/30/2019                   | 8.25                      | \$ 634,293                 | 7.25                        | \$ 76,884                                   | \$ 480,525                                |
| Total                      |                             |                           | \$ 13,148,601              |                             | \$ 1,501,691                                | \$ 11,381,638                             |

Each detail item in the chart above was established as of the Fiscal Year-End shown and the full amount deferred has been determined as of that time. Any events that occur in subsequent Fiscal Years do not have an impact on the prior Fiscal Year. The bases are established independently each year.



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## OPEB EXPENSE DEVELOPMENT

The table below displays the OPEB Expense development for the current year. The OPEB Expense includes items that change the Net OPEB Liability from one year to the next, netted out for amounts that are deferred under GASB pronouncement, plus any amounts that are being recognized that were deferred previously.

See below for development of the OPEB Expense:

|   | <u>4/30/2020</u>           |
|---|----------------------------|
| <b>OPEB Expense/(Income) Under GASB 75</b>                      |                            |
| Service Cost  | \$ 1,381,192               |
| Interest  | 1,963,702                  |
| Plan Changes  | 653                        |
| Contributions - Employee  | -                          |
| Contributions - Other   | -                          |
| Expected Investment Income                                      | -                          |
| Administrative Expense  | -                          |
| Other Changes   | -                          |
| Initial OPEB Expense/(Income)                                   | <u>3,345,547</u>           |
| Recognition of Outflow/(Inflow) of Resources due to Liabilities | 1,501,691                  |
| Recognition of Outflow/(Inflow) of Resources due to Assets      | -                          |
| <b>Total OPEB Expense/(Income)</b>                              | <b><u>\$ 4,847,238</u></b> |



## BREAKDOWN OF LIABILITY

| Division   | Fire        | IMRF       | Police      | Total       |
|--|-------------|------------|-------------|-------------|
| <b>Total Active Employees</b>  | 10,901,625  | 10,396,703 | 13,789,711  | 35,088,039  |
| <b>Inactive Employees Currently Receiving Benefit Payments</b>               | 12,671,140  | 5,915,757  | 11,628,004  | 30,214,901  |
| <b>Inactive Employees Entitled To But Not Yet Receiving Benefit Payments</b> | -           | -          | -           | -           |
| <b>Total OPEB Liability</b>  | 23,572,765  | 16,312,460 | 25,417,715  | 65,302,940  |
| <b>Service Cost</b>  | 592,636     | 119,200    | 669,356     | 1,381,192   |
| <b>Interest</b>  | 778,384     | 338,771    | 846,547     | 1,963,702   |
| <b>Change of Benefit Terms</b>   | (4,208)     | (1,700)    | 6,561       | 653         |
| <b>Difference Between Expected and Actual Experience</b>                     | (2,258,042) | 2,703,119  | (3,144,235) | (2,699,158) |
| <b>Change in Assumptions</b>   | 4,258,235   | 4,369,485  | 5,031,547   | 13,659,267  |
| <b>Benefit Payments</b>  | (664,154)   | (309,945)  | (656,774)   | (1,630,873) |
| <b>Net Change in Total OPEB Liability</b>                                    | 2,702,851   | 7,218,930  | 2,753,002   | 12,674,783  |
| <b>Total OPEB Liability - Beginning</b>                                      | 20,869,914  | 9,093,530  | 22,664,713  | 52,628,157  |
| <b>Total OPEB Liability - Ending</b>   | 23,572,765  | 16,312,460 | 25,417,715  | 65,302,940  |
| <b>Total Active Employees</b>  | 35          | 42         | 42          | 119         |
| <b>Inactive Employees Currently Receiving Benefit Payments</b>               | 36          | 24         | 37          | 97          |
| <b>Inactive Employees Entitled To But Not Yet Receiving Benefit Payments</b> | -           | -          | -           | -           |
| <b>Total Plan Members</b>  | 71          | 66         | 79          | 216         |



## ACTUARIAL ASSUMPTION INFORMATION

Statement of Significant Actuarial Assumptions  
Assumption Changes  
Expected Return on OPEB Plan Investments  
Municipal Bond Rate  
Discount Rate  
Inflation Rate  
Development of Starting Claims Costs  
Sensitivity of the Discount Rate  
Sensitivity of the Healthcare Cost Trend Rates

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## STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS

### Assumptions (Economic)

Discount Rate Used for the Total OPEB Liability

|                   |       |
|-------------------|-------|
| Beginning of Year | 3.79% |
| End of Year       | 2.56% |

Long-Term Expected Rate of Return on Plan Assets N/A

High Quality 20 Year Tax-Exempt G.O. Bond Rate

|                   |       |
|-------------------|-------|
| Beginning of Year | 3.79% |
| End of Year       | 2.56% |

Total Payroll Increases 3.00%

Claims and Premiums See Accompanying Tables

Healthcare Cost Trend Rates See Accompanying Tables

Retiree Contribution Rates Same as Healthcare Cost Trend Rates

**Claims** See accompanying tables for health insurance claims costs data:

| HCA |          |          |          |          |
|-----|----------|----------|----------|----------|
| Age | Retiree  |          | Spouse   |          |
|     | Male     | Female   | Male     | Female   |
| 50  | \$10,446 | \$12,498 | \$17,978 | \$18,175 |
| 55  | \$13,259 | \$14,250 | \$17,952 | \$17,257 |
| 60  | \$16,594 | \$17,147 | \$19,042 | \$18,211 |
| 64  | \$19,636 | \$20,517 | \$20,590 | \$21,009 |
| 65  | N/A      | N/A      | N/A      | N/A      |
| 70  | N/A      | N/A      | N/A      | N/A      |
| 75  | N/A      | N/A      | N/A      | N/A      |
| 80  | N/A      | N/A      | N/A      | N/A      |
| 85  | N/A      | N/A      | N/A      | N/A      |
| 90  | N/A      | N/A      | N/A      | N/A      |



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**STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED****Claims – Continued**

| <b>HDHP with H.S.A.</b> |                |               |               |               |
|-------------------------|----------------|---------------|---------------|---------------|
|                         | <b>Retiree</b> |               | <b>Spouse</b> |               |
| <b>Age</b>              | <b>Male</b>    | <b>Female</b> | <b>Male</b>   | <b>Female</b> |
| <b>50</b>               | \$9,842        | \$11,776      | \$16,940      | \$17,125      |
| <b>55</b>               | \$12,493       | \$13,427      | \$16,915      | \$16,261      |
| <b>60</b>               | \$15,635       | \$16,157      | \$17,943      | \$17,160      |
| <b>64</b>               | \$18,502       | \$19,332      | \$19,401      | \$19,795      |
| <b>65</b>               | N/A            | N/A           | N/A           | N/A           |
| <b>70</b>               | N/A            | N/A           | N/A           | N/A           |
| <b>75</b>               | N/A            | N/A           | N/A           | N/A           |
| <b>80</b>               | N/A            | N/A           | N/A           | N/A           |
| <b>85</b>               | N/A            | N/A           | N/A           | N/A           |
| <b>90</b>               | N/A            | N/A           | N/A           | N/A           |

| <b>Benistar</b> |                |               |               |               |
|-----------------|----------------|---------------|---------------|---------------|
|                 | <b>Retiree</b> |               | <b>Spouse</b> |               |
| <b>Age</b>      | <b>Male</b>    | <b>Female</b> | <b>Male</b>   | <b>Female</b> |
| <b>50</b>       | N/A            | N/A           | N/A           | N/A           |
| <b>55</b>       | N/A            | N/A           | N/A           | N/A           |
| <b>60</b>       | N/A            | N/A           | N/A           | N/A           |
| <b>64</b>       | N/A            | N/A           | N/A           | N/A           |
| <b>65</b>       | \$5,310        | \$5,548       | \$5,568       | \$5,681       |
| <b>70</b>       | \$6,347        | \$6,632       | \$6,655       | \$6,791       |
| <b>75</b>       | \$6,892        | \$7,201       | \$7,135       | \$7,373       |
| <b>80</b>       | \$7,388        | \$7,719       | \$7,631       | \$7,904       |
| <b>85</b>       | \$7,726        | \$8,073       | \$7,969       | \$8,266       |
| <b>90</b>       | \$7,882        | \$8,235       | \$8,125       | \$8,433       |



## STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED

**Blended Premium Rates** See accompanying table for premiums charged for coverage.

| Annual Blended Premiums |              |          |               |         |
|-------------------------|--------------|----------|---------------|---------|
|                         | Under Age 65 |          | Age 65-&-Over |         |
|                         | Retiree      | Spouse   | Retiree       | Spouse  |
| HCA                     | \$11,183     | \$11,234 | N/A           | N/A     |
| HDHP with H.S.A.        | \$10,643     | \$10,653 | N/A           | N/A     |
| Benistar                | N/A          | N/A      | \$6,190       | \$6,190 |

## Healthcare Cost Trend Rates

| Health Care Trend  |                |          |       |
|--------------------|----------------|----------|-------|
| (FY = Fiscal Year) | Period         | Under 65 | 65+   |
|                    | FY 20 to FY 21 | 4.10%    | 5.00% |
|                    | FY 21 to FY 22 | 7.50%    | 5.00% |
|                    | FY 22 to FY 23 | 7.50%    | 5.00% |
|                    | FY 23 to FY 24 | 7.00%    | 5.00% |
|                    | FY 24 to FY 25 | 7.00%    | 5.00% |
|                    | FY 25 to FY 26 | 6.50%    | 5.00% |
|                    | FY 26 to FY 27 | 6.50%    | 5.00% |
|                    | FY 27 to FY 28 | 6.00%    | 5.00% |
|                    | FY 28 to FY 29 | 6.00%    | 5.00% |
|                    | FY 29 to FY 30 | 5.50%    | 5.00% |
|                    | FY 30 to FY 31 | 5.50%    | 5.00% |
|                    | FY 31 to FY 32 | 5.00%    | 5.00% |
|                    | Ultimate       | 5.00%    | 5.00% |

## Assumptions (Demographic)

**Election at Retirement** Coverage election at retirement is assumed at the following rates:

|            |      |
|------------|------|
| All Groups | 100% |
|------------|------|

If an employee has waived active medical, it is assumed they will elect coverage in the retiree medical plan at 1/3 the rate of active employees currently with coverage.





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## STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED

**Spousal Election** Of those employees assumed to elect coverage in retirement, 75% are assumed to elect spousal coverage. Female spouses are assumed to be 3 years younger than male spouses.

**Plan Participation** It is assumed that the employees will participate in plans according to the distribution shown below:

|                 | <u>Pre-65</u> | <u>Post-65</u> |
|-----------------|---------------|----------------|
| <b>HCA</b>      | 100%          | N/A            |
| <b>HSA</b>      | 0%            | N/A            |
| <b>Benistar</b> | N/A           | 100%           |

**Retiree Lapse Rates** Retirees receiving medical coverage are expected to lapse all coverages at age 65 at the following rates:

|                   |    |
|-------------------|----|
| <b>All Groups</b> | 0% |
|-------------------|----|

### Retirement Rates

IMRF Based on Rates from IMRF Experience Study Report dated November 8, 2017

Fire 100% of L&A Assumption Study Cap Age 65 for Firefighters 2020. Sample rates are as follows:

| Age | Rate  | Age | Rate  |
|-----|-------|-----|-------|
| 50  | 0.070 | 53  | 0.070 |
| 51  | 0.070 | 54  | 0.070 |
| 52  | 0.070 | 55  | 0.172 |

Police 100% of L&A Assumption Study Cap Age 65 for Police 2020. Sample rates are as follows:

| Age | Rate  | Age | Rate  |
|-----|-------|-----|-------|
| 50  | 0.110 | 53  | 0.127 |
| 51  | 0.116 | 54  | 0.134 |
| 52  | 0.121 | 55  | 0.140 |



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## STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED

### Termination Rates

IMRF Based on Rates from IMRF Experience Study Report dated November 8, 2017

Fire 100% of L&A Assumption Study for Firefighters 2020. Sample rates are as follows:

| Age | Rate  | Age | Rate  |
|-----|-------|-----|-------|
| 25  | 0.070 | 40  | 0.012 |
| 30  | 0.041 | 45  | 0.004 |
| 35  | 0.024 | 50  | 0.000 |

Police 100% of L&A Assumption Study for Police 2020. Sample rates are as follows:

| Age | Rate  | Age | Rate  |
|-----|-------|-----|-------|
| 25  | 0.080 | 40  | 0.022 |
| 30  | 0.034 | 45  | 0.016 |
| 35  | 0.028 | 50  | 0.005 |

### Disability Rates

IMRF Based on Rates from IMRF Experience Study Report dated November 8, 2017

Fire 100% of L&A Assumption Study for Firefighters 2020. Sample rates are as follows:

| Age | Rate   | Age | Rate   |
|-----|--------|-----|--------|
| 25  | 0.0007 | 40  | 0.0054 |
| 30  | 0.0009 | 45  | 0.0075 |
| 35  | 0.0027 | 50  | 0.0097 |

Police 100% of L&A Assumption Study for Police 2020. Sample rates are as follows:

| Age | Rate   | Age | Rate   |
|-----|--------|-----|--------|
| 25  | 0.0000 | 40  | 0.0038 |
| 30  | 0.0006 | 45  | 0.0053 |
| 35  | 0.0018 | 50  | 0.0048 |



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## STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED

### Mortality Rates

|        |   |
|--------|---|
| IMRF   | RP-2014 with Blue Collar Adjustment and MP-2016 Improvement, weighted per IMRF Experience Study dated November 8, 2017.   |
| Fire   | <p>Active Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved generationally using MP-2019 Improvement Rates.</p> <p>Retiree Mortality follows the L&amp;A Assumption Study for Firefighters 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved generationally using MP-2019 Improvement Rates.</p> <p>Disabled Mortality follows the L&amp;A Assumption Study for Disabled Firefighters 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants improved to 2017 using MP-2019 Improvement Rates. These rates are then improved generationally using MP-2019 Improvement Rates.</p> <p>Spouse Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study for contingent survivors. For all rates not provided there (ages 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.</p> |
| Police | <p>Active Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved generationally using MP-2019 Improvement Rates.</p> <p>Retiree Mortality follows the L&amp;A Assumption Study for Police 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved generationally using MP-2019 Improvement Rates.</p> <p>Disabled Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants improved to 2017 using MP-2019 Improvement Rates. These rates are then improved generationally using MP-2019 Improvement Rates.</p>  |



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## STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED

### Mortality Rates - Continued

|        |   |
|--------|---|
| Police | Spouse Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study for contingent survivors. For all rates not provided there (ages 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis. |
|--------|---|

All mortality rates are adjusted for retirement status. IMRF spouses use the same mortality tables as retirees.



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## ASSUMPTION CHANGES

We performed a comprehensive study of Police and Firefighters' Pension Funds in the State of Illinois. The actuarial assumptions were changed in the current year to the tables shown in the *Statement of Significant Assumptions* section of this report. The assumptions impacted include:

- Inflation Rate
- Mortality Rates
- Mortality Improvement Rates
- Retirement Rates
- Termination Rates
- Disability Rates

All IMRF Rates are based on Rates from IMRF Experience Study Report dated November 8, 2017 for IMRF Employees.

The above stated assumption changes were made to better reflect the future anticipated experience of the plan.

The assumed rate on High Quality 20-year Tax-Exempt G.O. Bonds was changed from 3.79% to 2.56% for the current year. The underlying index used is the Bond Buyer 20-Bond GO Index as discussed in more detail later in this section. The choice of index is unchanged from the prior year. The rate has been updated to the current Fiscal Year end based on changes in market conditions as reflected in the Index. The change was made to reflect our understanding of the requirements of GASB under Statement 74 and Statement 75.

Since the Employer does not have a trust dedicated exclusively to the payment of OPEB benefits, the discount rate used in the determination of the Total OPEB Liability was also changed from 3.79% to 2.56%. See the *Assumptions (Economic)* section for more details.

## EXPECTED RETURN ON OPEB PLAN INVESTMENTS

There is currently no expectation for future returns on OPEB plan assets since the OPEB obligation is an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.



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## **MUNICIPAL BOND RATE**

The Municipal Bond Rate assumption is based on The Bond Buyer 20-Bond GO Index. The beginning of year rate shown earlier in the *Statement of Significant Assumptions* section of this report is the 3.79% rate, and the end of year rate shown is the 2.56% rate. The 20-Bond GO Index is based on an average of certain general obligation municipal bonds maturing in 20 years and having an average rating equivalent of Moody's Aa2 and Standard & Poor's AA.

The 20-Bond Index consists of 20 general obligation bonds that mature in 20 years. The average rating of the 20 bonds is roughly equivalent to Moody's Investors Service's Aa2 rating and Standard & Poor's Corp.'s AA.

The indexes represent theoretical yields rather than actual price or yield quotations. Municipal bond traders are asked to estimate what a current-coupon bond for each issuer in the indexes would yield if the bond was sold at par value. The indexes are simple averages of the average estimated yields of the bonds.

## **DISCOUNT RATE**

The discount rate used in the determination of the Total OPEB Liability is based on a combination of the Expected Long-Term Rate of Return on Plan Assets and the Municipal Bond Rate. If the Employer does not have a trust dedicated exclusively to the payment of OPEB benefits, as is the case with the Village of Alsip, then only the Municipal Bond Rate is used in determining the Total OPEB Liability.

If the postretirement plan is funded, cash flow projections are used to determine the extent which the plan's future Net Position will be able to cover future benefit payments. To the extent future benefit payments are covered by the plan's projected Net Position, the expected rate of return on plan investments is used to determine the portion of the Net OPEB Liability associated with those payments. To the extent future benefit payments are not covered by the plan's projected Net Position, the Municipal Bond Rate is used to determine the portion of the Net OPEB Liability associated with those payments.

Projected benefit payments are determined during the valuation process based on the assumptions. More details on the assumptions are in the *Statement of Significant Assumptions* section of this report. The expected contributions are based on the Funding Policy of the plan. The Funding Policy is discussed in more detail in a later section.

## **INFLATION RATE**

The Long-Term Inflation Expectation used is 2.25%, which is an underlying component of the discount rate and assumed health care trend rates.



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## **DEVELOPMENT OF STARTING CLAIMS COSTS**

Starting costs for the Village's Plan were developed based on the blended premiums charged for coverage. The insurance carrier charges actives and retirees the same premium rates. According to GASB, when an Employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently for actuarial measurement purposes. The projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees. As such, premiums were estimated for under-65 retirees and their spouses as if they were rated on a stand-alone basis. The results were then disaggregated into age-specific starting costs based on average ages and assumptions on the relationship between costs and increasing age.

The medical cost increase represents the combination of the inflation in the price of health care services, changes in utilization (other than age-related changes), technological advances in medical care, and changes in the health status of plan participants. No adjustment has been made to the trend for the impact of COVID-19. An analysis of this matter is beyond the scope of this valuation. This impact may result in material changes in claims in 2020 and beyond. Information about the course of the disease is highly variable and changing daily. Some of the variables include projected inflation rates including localized outbreaks, the cost of care of COVID-19 patients, the amount of postponed and avoided medical care services, the amount and timing of the catch-up of deferred care, the impact of COVID-19 on other conditions such as stress and depression, impacts on general economic conditions, and other factors.



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### SENSITIVITY OF THE DISCOUNT RATE

The Net OPEB Liability has been determined using the end of year discount rate listed in the *Statement of Significant Assumptions* section. Below is a table illustrating the sensitivity of the Net OPEB Liability to the discount rate assumption.

|                                       | <b>1%<br/>Decrease<br/>(1.56%)</b> | <b>Current<br/>Discount Rate<br/>(2.56%)</b> | <b>1%<br/>Increase<br/>(3.56%)</b> |
|---------------------------------------|------------------------------------|--|------------------------------------|
| Employer's Net OPEB Liability/(Asset) | \$79,696,948                       | \$65,302,940                                 | \$54,409,514                       |

The sensitivity of the Net OPEB Liability to the discount rate is based primarily on two factors:

1. The duration of the plan's expected benefit payments. Younger plans with benefit payments further in the future will be more sensitive to changes in the discount rate.
2. The funded percentage of the plan (ratio of the Net Position to the Total OPEB Liability). The higher the funded percentage, the higher the sensitivity to the discount rate.

### SENSITIVITY OF THE HEALTHCARE COST TREND RATES

Below is a table illustrating the sensitivity of the Net OPEB Liability to the Healthcare Cost Trend Rates assumption.

|                                       | <b>1%<br/>Decrease<br/>(Varies)</b> | <b>Healthcare Cost<br/>Trend Rates<br/>(Varies)</b> | <b>1%<br/>Increase<br/>(Varies)</b> |
|---------------------------------------|-------------------------------------|---|-------------------------------------|
| Employer's Net OPEB Liability/(Asset) | \$52,916,991                        | \$65,302,940  | \$82,195,679                        |

Please refer to the *Assumptions (Economic)* section for full list of assumed trend rates.





## PARTICIPANT DATA

Participant Demographic Data  
Expected Future Working Lifetime

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## **PARTICIPANT DEMOGRAPHIC DATA**

The chart below summarizes the employee count of plan Members:

| <b>Measurement Date</b>   | <b>4/30/2019</b> | <b>4/30/2020</b> |
|---|------------------|------------------|
| Total Active Employees  | 122              | 119              |
| Inactive Employees Currently Receiving Benefit Payments               | 83               | 97               |
| Inactive Employees Entitled To But Not Yet Receiving Benefit Payments | 0                | 0                |
| Total   | 205              | 216              |

Participant count is shown as of the Fiscal Year-End date. The data is assumed to be a reasonable representation of data as of the Measurement Date and may have been collected on or before the Fiscal Year-End date.

The above total active employee counts include 13 participants who have waived medical coverage. If an employee has waived active medical coverage, it is assumed they will elect coverage in the retiree medical plan at a rate of 1/3 the rate of active employees currently with coverage.

## **EXPECTED FUTURE WORKING LIFETIME**

The chart below summarizes the expected future working lifetime of plan Members:

| <b>Measurement Date</b>                  | <b>4/30/2019</b> | <b>4/30/2020</b> |
|--|------------------|------------------|
| Average Future Working Career (In Years) |                  |                  |
| Active Plan Members                      | 13.86            | 16.09            |
| Inactive Plan Members                    | 0.00             | 0.00             |
| Total                                    | 8.25             | 8.86             |

The expected future working lifetime is measured as of the Actuarial Valuation Date and is based on the demographic assumptions used in the preparation of this report.



## FUNDING POLICY

Components of the Actuarially Determined Contribution

Formal Funding Policy

Informal Funding Policy





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## **COMPONENTS OF THE ACTUARIALLY DETERMINED CONTRIBUTION**

The Actuarially Determined Contribution (“ADC”) includes the determination of the Normal Cost contribution for active plan Members, as well as a provision for the payment of Unfunded Liability.

Unfunded Liability is the excess of the Actuarial Liability over the postretirement plan’s Net Position.

For the Village of Alsip, there is no determination of an ADC and Normal Cost, as the Total OPEB Liability is currently an unfunded obligation. The Employer does not have a trust dedicated exclusively to the payment of OPEB benefits.

## **FORMAL FUNDING POLICY**

There is no Formal Funding Policy that exists for the postretirement plan at this time, as the Total OPEB Liability is currently an unfunded obligation.

## **INFORMAL FUNDING POLICY**

There is no Informal Funding Policy determined for GASB reporting purposes, as the Total OPEB Liability is currently an unfunded obligation.



## SCHEDULES OF REQUIRED SUPPLEMENTARY INFORMATION

Schedule of Changes in the Net OPEB Liability  
Schedule of Total OPEB Liability and Related Ratios  
Schedule of Contributions  
Notes to Schedule of Contributions

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## SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

|   | 4/30/2020            | 4/30/2019            | 4/30/2018            | 4/30/2017 | 4/30/2016 | 4/30/2015 | 4/30/2014 | 4/30/2013 | 4/30/2012 | 4/30/2011 |
|---|----------------------|----------------------|----------------------|-----------|-----------|-----------|-----------|-----------|-----------|-----------|
| <b>Total OPEB Liability</b>                                     |                      |                      |                      |           |           |           |           |           |           |           |
| Service Cost  | \$ 1,381,192         | \$ 1,323,073         | \$ 1,272,553         |           |           |           |           |           |           |           |
| Interest  | 1,963,702            | 1,907,572            | 1,842,087            |           |           |           |           |           |           |           |
| Changes of Benefit Terms  | 653                  | -                    | -                    |           |           |           |           |           |           |           |
| Differences Between Expected and Actual Experience              | (2,699,158)          | 634,293              | -                    |           |           |           |           |           |           |           |
| Change in Assumptions   | 13,659,267           | 1,554,199            | -                    |           |           |           |           |           |           |           |
| Benefit Payments  | (1,630,873)          | (1,592,477)          | (1,426,679)          |           |           |           |           |           |           |           |
| <b>Net Change in Total OPEB Liability</b>                       | <b>\$ 12,674,783</b> | <b>\$ 3,826,660</b>  | <b>\$ 1,687,961</b>  |           |           |           |           |           |           |           |
| <b>Total OPEB Liability - Beginning</b>                         | <b>52,628,157</b>    | <b>48,801,497</b>    | <b>47,113,536</b>    |           |           |           |           |           |           |           |
| <b>Total OPEB Liability - Ending (a)</b>                        | <b>\$ 65,302,940</b> | <b>\$ 52,628,157</b> | <b>\$ 48,801,497</b> |           |           |           |           |           |           |           |
| <b>OPEB Plan Net Position</b>                                   |                      |                      |                      |           |           |           |           |           |           |           |
| Contributions - Employer  | \$ 1,630,873         | \$ 1,592,477         | \$ 1,426,679         |           |           |           |           |           |           |           |
| Contributions - Members   | -                    | -                    | -                    |           |           |           |           |           |           |           |
| Contributions - Other   | -                    | -                    | -                    |           |           |           |           |           |           |           |
| Net Investment Income   | -                    | -                    | -                    |           |           |           |           |           |           |           |
| Benefit Payments  | (1,630,873)          | (1,592,477)          | (1,426,679)          |           |           |           |           |           |           |           |
| Administrative Expense  | -                    | -                    | -                    |           |           |           |           |           |           |           |
| <b>Net Change in OPEB Plan Net Position</b>                     | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ -</b>          |           |           |           |           |           |           |           |
| <b>OPEB Plan Net Position - Beginning</b>                       | <b>-</b>             | <b>-</b>             | <b>-</b>             |           |           |           |           |           |           |           |
| <b>OPEB Plan Net Position - Ending (b)</b>                      | <b>\$ -</b>          | <b>\$ -</b>          | <b>\$ -</b>          |           |           |           |           |           |           |           |
| <b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b> | <b>\$ 65,302,940</b> | <b>\$ 52,628,157</b> | <b>\$ 48,801,497</b> |           |           |           |           |           |           |           |

The current year information was developed in the completion of this report.



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## SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS

|  | <u>4/30/2020</u>     | <u>4/30/2019</u>     | <u>4/30/2018</u>     | <u>4/30/2017</u> | <u>4/30/2016</u> | <u>4/30/2015</u> | <u>4/30/2014</u> | <u>4/30/2013</u> | <u>4/30/2012</u> | <u>4/30/2011</u> |
|--|----------------------|----------------------|----------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| <b>Total OPEB Liability - Ending (a)</b>   | <u>\$ 65,302,940</u> | <u>\$ 52,628,157</u> | <u>\$ 48,801,497</u> |                  |                  |                  |                  |                  |                  |                  |
| <b>OPEB Plan Net Position - Ending (b)</b>   | <u>\$ -</u>          | <u>\$ -</u>          | <u>\$ -</u>          |                  |                  |                  |                  |                  |                  |                  |
| <b>Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)</b>                      | <u>\$ 65,302,940</u> | <u>\$ 52,628,157</u> | <u>\$ 48,801,497</u> |                  |                  |                  |                  |                  |                  |                  |
| <b>OPEB Plan Net Position as a Percentage of the<br/>Total OPEB Liability</b>        | 0.00%                | 0.00%                | 0.00%                |                  |                  |                  |                  |                  |                  |                  |
| <b>Covered-Employee Payroll</b>  | \$ 9,163,784         | \$ 8,839,089         | \$ 8,573,319         |                  |                  |                  |                  |                  |                  |                  |
| <b>Employer's Net OPEB Liability as a Percentage of<br/>Covered-Employee Payroll</b> | 712.62%              | 595.40%              | 569.23%              |                  |                  |                  |                  |                  |                  |                  |

Covered-Employee Payroll is based on Total Covered Payroll for the postretirement plan Members during the Fiscal Year.



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## SCHEDULE OF CONTRIBUTIONS

|   | <u>4/30/2020</u>   | <u>4/30/2019</u>   | <u>4/30/2018</u>   | <u>4/30/2017</u> | <u>4/30/2016</u> | <u>4/30/2015</u> | <u>4/30/2014</u> | <u>4/30/2013</u> | <u>4/30/2012</u> | <u>4/30/2011</u> |
|---|--------------------|--------------------|--------------------|------------------|------------------|------------------|------------------|------------------|------------------|------------------|
| Actuarially Determined Contribution                                     | N/A                | N/A                | N/A                |                  |                  |                  |                  |                  |                  |                  |
| Contributions in Relation to the Actuarially<br>Determined Contribution | -                  | -                  | -                  |                  |                  |                  |                  |                  |                  |                  |
| Contribution Deficiency (excess)  | <u>N/A</u>         | <u>N/A</u>         | <u>N/A</u>         |                  |                  |                  |                  |                  |                  |                  |
| Covered-Employee Payroll  | <u>\$9,163,784</u> | <u>\$8,839,089</u> | <u>\$8,573,319</u> |                  |                  |                  |                  |                  |                  |                  |
| Contributions as a Percentage of Covered-Employee Payroll               | 0.00%              | 0.00%              | 0.00%              |                  |                  |                  |                  |                  |                  |                  |

## NOTES TO SCHEDULE OF CONTRIBUTIONS

There is no ADC or Employer Contribution in relation to the ADC, as there is no Trust that exists for funding the OPEB Liability. However, the Village did make contributions from other Village resources in the current year in the amount of \$1,630,873.





# GASB METHODS AND PROCEDURES

GASB Methods and Procedures

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## **GASB METHODS AND PROCEDURES**

|                               | <b>Statement 74</b>         | <b>Statement 75</b>        |
|-------------------------------|-----------------------------|----------------------------|
|                               | <b>OPEB Plan Financials</b> | <b>Employer Financials</b> |
| Fiscal Year End for Reporting | <b>April 30, 2020</b>       | <b>April 30, 2020</b>      |
| Measurement Date              | April 30, 2020              | April 30, 2020             |
| Actuarial Valuation Date      | May 1, 2020                 | May 1, 2020                |
| Data Date                     | May 1, 2020                 | May 1, 2020                |
| Asset Valuation Method        | Market Value of Assets      | Market Value of Assets     |
| Actuarial Cost Method         | Entry Age Normal            | Entry Age Normal           |

### **Methodology Used in the Determination of Deferred Inflows and Outflows of Resources**

|                        |               |               |
|------------------------|---------------|---------------|
| Amortization Method    | Straight Line | Straight Line |
| Amortization Period    |               |               |
| Actuarial Experience   | 8.86 Years    | 8.86 Years    |
| Changes in Assumptions | 8.86 Years    | 8.86 Years    |
| Asset Experience       | 5.00 Years    | 5.00 Years    |

As noted in the table above, the Actuarial Funding Method used in the determination of the Total OPEB Liability is the Entry Age Normal Cost method (level percent of pay). The method allocates Normal Cost contributions by employee over the working career of the employee as a level percent of their pay.

The Total OPEB Liability for the current Fiscal Year has been developed based on the Actuarial Valuation Date shown above, and adjusted to the Measurement Date shown above, based on procedures that conform to generally accepted actuarial principles and practices.



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## **GASB METHODS AND PROCEDURES – CONTINUED**

We calculated the Total OPEB Liability and Service Cost under the Entry Age Normal funding method as required under GASB 75. We calculated the Present Value of Benefits for each participant at each potential retirement age, factoring in probabilities of survival thereafter. We used the appropriate group tables to determine a probability that active members make it to retirement to determine the present value of benefits. We adjusted this using the Present Value of Future Salaries at Entry Age, factoring in interest, salary, and probability of remaining active from entry age to current age, to obtain Normal Cost. We then calculated the Present Value of Future Normal Costs and subtracted this from the Present Value of Benefits to obtain Total OPEB Liability. This methodology is in accordance with GASB Statement 74/75.



## PLAN PROVISIONS

Summary of Eligibility and Coverage

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## **SUMMARY OF ELIGIBILITY AND COVERAGE**

The plan sponsor has reviewed and agreed to the below eligibility and coverage provisions.

### **Eligibility Provisions – To Retire with Applicable Pension**

*Full-Time Employees- IMRF, Police, and Fire*

Tier I Full-Time IMRF employees:

- Age 55 with at least 8 years of service (Reduced Pension)
- Age 55 with at least 30 years of service (Reduced Pension)
- Age 55 with at least 35 years of service (Full Pension)
- Age 60 with at least 8 years of service (Full Pension)

Tier II Full-Time IMRF employees:

- Age 62 with at least 10 years of service (Reduced Pension)
- Age 62 with at least 30 years of service (Reduced Pension)
- Age 62 with at least 35 years of service (Full Pension)
- Age 67 with at least 10 years of service (Full Pension)

Tier I Full-Time Police Officers:

- Age 50 with at least 20 years of service

Tier II Full-Time Police Officers:

- Age 55 with at least 10 years of service

Tier I Full-Time Firefighters:

- Age 50 with at least 20 years of service

Tier II Full-Time Firefighters:

- Age 55 with at least 10 years of service

### **Eligibility Provisions – To Receive OPEB Benefit from Village**

In order to receive the OPEB benefit from the Village, full-time employees must meet the applicable pension requirements detailed above and have a least 20 years of service.

### **Medical/Prescription Coverage**

*Types of Coverage:*

- Blue Cross Blue Shield HCA Medical Plan (No Post-Medicare Coverage)
- Blue Cross Blue Shield HDHP with H.S.A. Medical Plan (No Post-Medicare Coverage)
- Benistar Medical Plan (Post-Medicare Coverage Only)



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## **SUMMARY OF ELIGIBILITY AND COVERAGE – CONTINUED**

### *Coverage Provisions:*

Note: There are current Retirees who have been grandfathered into a previous system based on the contract they retired under.

### Retiree:

If an Employee meets the minimum statutory requirements for receipt of the full retirement pension benefits under the Illinois Pension Code at the time of retirement, the Employee will pay a % of the cost for whichever covered plan (Single, Family, etc.) they elect based on the graduated scale shown detailed at the end of this section. The Village pays the remaining applicable %.

### Deferred Retiree:

Eligible employees who leave employment prior to retirement age and for whom the State of Illinois requires continued coverage, will be required to pay 100% of the current COBRA rates (Police and Fire) or 100% of the current premium rates (IMRF) until they are eligible to receive a pension. If a deferred retiree has met the 20 years of service requirement necessary to receive an OPEB benefit, upon obtaining pension eligibility age they will be subject to the same provisions as a typical retiree.

### Duty-Disabled:

OPEB Tier I (hired before 4/19/2016):

Should an Employee:

1. Not qualify for and accept (in a procedure defined by Village Ordinance) the Village OPEB benefit at the time of going on duty disability, and
2. Not be granted PSEBA benefits, then:

The Employee will be offered coverage, at cost to Employee of 100% of premium, if and only if such coverage be mandated under 215 ILCS 5/367f (fire), 215 ILCS 5/367g (police), or 215 ILCS 5/367h (IMRF).

For a PSEBA Employee, the Village pays for 100% of the cost of coverage for the Employee and all applicable dependents for life.



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## **SUMMARY OF ELIGIBILITY AND COVERAGE – CONTINUED**

### Duty-Disabled:

OPEB Tier II (hired after 4/18/2016):

Should an Employee:

1. Not qualify for and accept (in a procedure defined by Village Ordinance) the Village OPEB benefit at the time of going on duty disability, and
2. Not be granted PSEBA benefits, then:

The Employee will be offered coverage, at cost to Employee of 100% of premium, if, and only if, such coverage be mandated under 215 ILCS 5/367f (fire), 215 ILCS 5/367g (police), or 215 ILCS 5/367h (IMRF).

For a PSEBA Employee, the Village pays for 100% of the cost of coverage for the Employee and all applicable dependents for life.

### Dependents:

Dependent coverage may continue should the Retiree pass away, with the Dependent paying for the applicable percent of the premium they would be paying if the Retiree were alive.

OPEB Tier I (hired before 4/18/2016):

Should a Retiree become Medicare eligible while their eligible spouse is not, the Retiree would pay 10% of the Medicare plan rate with the Spouse continuing to pay the applicable % of the non-Medicare plan rate. Once the Spouse is Medicare eligible, they would then pay 10% of the Medicare plan rate as well.

Should a Retiree not yet be Medicare eligible while their eligible spouse is Medicare eligible, the Retiree would continue to pay the applicable % of the non-Medicare plan rate with the Spouse paying 10% of the Medicare plan rate. Once the Retiree is Medicare eligible, they would then pay 10% of the Medicare plan rate as well.

The rates for Dependent Children are not impacted by the Retiree and/or Spouse becoming Medicare eligible with continuation being based restrictions further detailed in the ACA.



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## SUMMARY OF ELIGIBILITY AND COVERAGE – CONTINUED

### Dependents:

#### OPEB Tier II (hired after 4/18/2016):

Should a Retiree become Medicare eligible while their eligible spouse is not, the Retiree would no longer be allowed to continue Village insurance with the Spouse continuing to pay the applicable % of the non-Medicare plan rate. Once the Spouse is Medicare eligible, they too would no longer be allowed to continue Village insurance.

Should a Retiree not yet be Medicare eligible while their eligible spouse is Medicare eligible, the Retiree would continue to pay the applicable % of the non-Medicare plan rate with the Spouse no longer allowed to continue Village insurance. Once the Retiree is Medicare eligible, they would no longer be allowed to continue Village insurance.

The rates for Dependent Children are not impacted by the Retiree and/or Spouse becoming Medicare eligible with continuation being based restrictions further detailed in the ACA.

|                   |                  | % of COBRA Rate Retiree Pays            |                    |   |                    |
|-------------------|------------------|---|--------------------|---|--------------------|
|                   |                  | OPEB Tier I<br>(Hired before 4/19/2016) |                    | OPEB Tier II<br>(Hired after 4/18/2016) |                    |
| Age at Retirement | Years of Service | Retiree Coverage                        | Dependent Coverage | Retiree Coverage                        | Dependent Coverage |
| 50 – 54           | 20               | 50%                                     | 50%                | 75%                                     | 100%               |
| 55 - 65           | 20               | 25%                                     | 25%                | 75%                                     | 100%               |
|                   | 21               | 24%                                     | 24%                | 75%                                     | 100%               |
|                   | 22               | 23%                                     | 23%                | 75%                                     | 100%               |
|                   | 23               | 22%                                     | 22%                | 75%                                     | 100%               |
|                   | 24               | 21%                                     | 21%                | 75%                                     | 100%               |
|                   | 25               | 20%                                     | 20%                | 75%                                     | 100%               |
|                   | 26               | 19%                                     | 19%                | 75%                                     | 100%               |
|                   | 27               | 18%                                     | 18%                | 75%                                     | 100%               |
|                   | 28               | 17%                                     | 17%                | 75%                                     | 100%               |
|                   | 29               | 16%                                     | 16%                | 75%                                     | 100%               |
|                   | 30+              | 15%                                     | 15%                | 75%                                     | 100%               |
| 65+               | 20               | 10%                                     | 10%                | N/A                                     | N/A                |





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## **SUMMARY OF ELIGIBILITY AND COVERAGE – CONTINUED**

### **Dental and Vision Coverage**

#### *Types of Coverage:*

Dental  
Vision

#### *Coverage Provisions:*

##### **OPEB Tier I (hired before 4/19/2016):**

OPEB Tier I Retirees can continue Dental and/or Vision insurance, paying 100% of the COBRA rate. Coverage may continue past Medicare eligibility.

##### **OPEB Tier II (hired after 4/18/2016):**

OPEB Tier II Retirees cannot continue Dental and/or Vision insurance.

Note: Unlike medical, PSEBA recipients do not receive Dental and Vision coverage paid by the Village for life. Instead, they are subject to the normal participant restrictions detailed earlier.



## GLOSSARY OF TERMS

GASB 74/75 Terminology

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## **GASB 74/75 TERMINOLOGY**

***Covered-Employee Payroll*** – The payroll of employees that are provided with OPEB through the OPEB plan.

***Healthcare Cost Trend Rates*** – The rates of change in per capita health claims costs over time as a result of factors such as medical inflation, utilization of healthcare services, plan design, and technological developments.

***Implicit Subsidy*** – The difference between a premium rate charged to retirees for a particular benefit and the estimated rate that would have been applicable to those retirees if that benefit was acquired for them as a separate group.

***Net OPEB Liability (“NOL”)*** – The excess of the Total OPEB Liability over the Market Value of Assets.

***OPEB Expense*** – OPEB Expense arising from certain changes in the collective Net OPEB Liability or collective Total OPEB Liability.

***OPEB Fiduciary Net Position (“Net Position”)*** – The value of cash, investments, other assets and property belonging to an OPEB Trust dedicated to paying OPEB benefits.

***OPEB Trust*** – A system other than a pension or retirement system which manages OPEB assets. Contributions to an OPEB Trust should be irrevocable in order to obtain the most favorable accounting treatment.

***Other Postemployment Benefits (“OPEB”)*** – Benefits (such as death benefits, life insurance, disability, and long-term care) that are paid in the period after employment and that are provided separately from a pension plan, as well as healthcare benefits paid in the period after employment, regardless of the manner in which they are provided.

***Service 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.



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***Total OPEB Liability (“TOL”)*** – 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.

*Retirees & Dependents* – Former employees who have satisfied the age and service requirement and are currently receiving postretirement healthcare benefits.

*Actives Fully Eligible* – Active employees who have satisfied the age and service requirement for postretirement healthcare benefits.

*Actives Not Fully Eligible* – Active employees who have not yet satisfied the age and service requirement for postretirement healthcare benefits.



Lauterbach & Amen, LLP

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CERTIFIED PUBLIC ACCOUNTANTS