Actuary

# VILLAGE OF ALSIP

# ALSIP POLICE PENSION FUND

Actuarial Valuation Report

For the Year

Beginning May 1, 2013

And Ending April 30, 2014

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

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## INTRODUCTION

Police-sworn personnel of the Village of Alsip are covered by the Police Pension Plan that is a defined-benefit, single-employer pension plan. The purpose of this report is to disclose the Tax Levy Requirement and GASB Statements No. 25 & 27 financial information and related actuarial information for the year beginning May 1, 2013, and ending April 30, 2014.

The valuation results reported herein are based on plan provisions in effect as of May 1, 2013, the employee data furnished by the Village, the financial data provided by the Fund's trustee and the actuarial methods and assumptions described later in this report. I hereby certify that to the best of my knowledge this report is complete and accurate and fairly presents the actuarial position of the Fund as of April 30, 2013, 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.

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. 11-4384

1/2/2014
Date

## SUMMARY OF RESULTS

There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates. The mortality rate assumption has been changed to the RP 2000 Mortality Table from the 1971 GA Mortality Table.

There were no changes with respect to Plan Provisions or Actuarial Methods from the prior year.

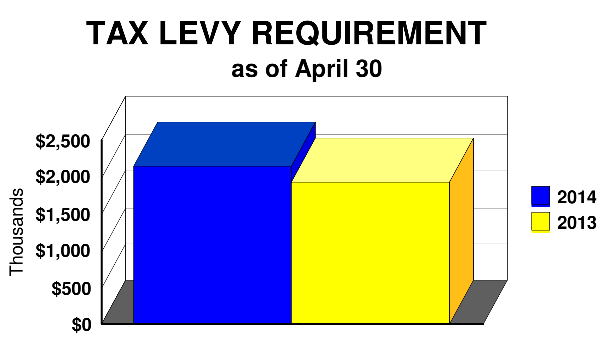
There were no unexpected changes with respect to the participants included in this actuarial valuation (1 new member, 1 termination, 1 retirement, 1 incident of disability, annual payroll increase 0.3%, average salary increase 6.4%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 8.19%).

The Village's Tax Levy Requirement has increased from $1,955,290 last year to $2,148,485 this year (9.9%). The increase in the Tax Levy is due to the increase in average salaries and the change to the mortality table, and was offset due to the investment return was greater than assumed. The Percent Funded has decreased slightly from 38.2% last year to 37.6% this year.

SUMMARY OF RESULTS (Continued)

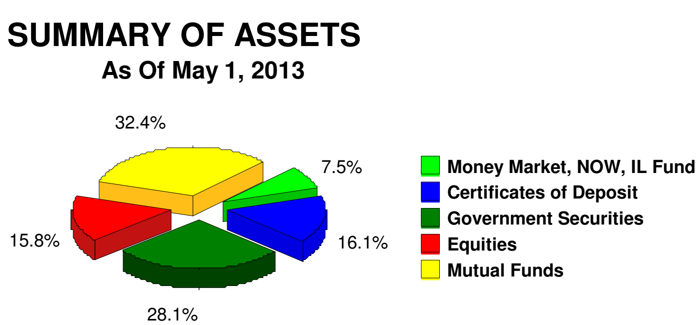
| | For Year Ending April 30 2014 | 2013 |
|---|---|---|
| Tax Levy Requirement | $ 2,148,485 | $ 1,955,290 |
| | as of May 1 2013 | 2012 |
| Village Normal Cost | 445,774 | 426,099 |
| Anticipated Employee Contributions | 290,414 | 289,495 |
| Accrued Liability | 43,899,360 | 41,470,346 |
| Actuarial Value of Assets | 16,487,088 | 15,824,603 |
| Unfunded Accrued Liability/(Surplus) | 27,412,272 | 25,645,743 |
| Amortization of Unfunded Accrued Liability/(Surplus) | 1,562,156 | 1,401,275 |
| Percent Funded | 37.6% | 38.2% |
| Annual Payroll | $ 2,930,511 | $ 2,921,239 |



ACTUARIAL VALUATION OF ASSETS

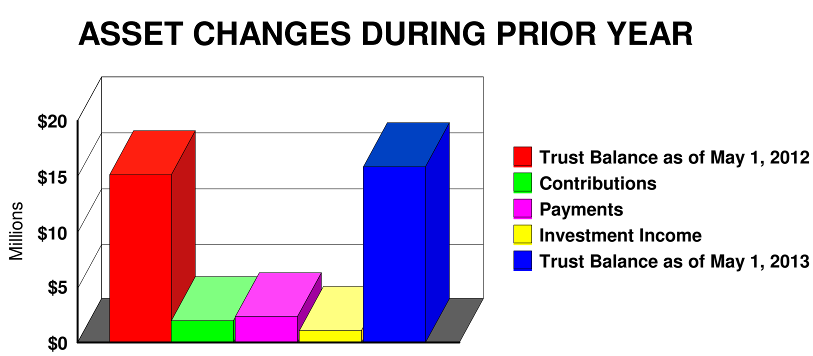
| | | as of May 1 2013 | | 2012 |
|---|---|---|---|---|
| Money Market, NOW, IL Fund | $ | 1,187,446 | $ | 663,006 |
| Certificates of Deposit | | 2,555,416 | | 2,855,691 |
| Government Securities | | 4,452,674 | | 4,794,614 |
| Equities | | 2,508,963 | | 2,181,566 |
| Mutual Funds | | 5,135,222 | | 4,544,385 |
| Interest Receivable | | 59,296 | | 63,114 |
| Miscellaneous Receivable/(Payable) | | 104,234 | | 95,799 |
| Market Value of Assets | | 16,003,250 | | 15,198,174 |
| Actuarial Value of Assets | $ | 16,487,088 | $ | 15,824,603 |

FYE 2012-2013 (Gain)/Loss: $783,036; ($178,239)



ASSET CHANGES DURING PRIOR YEAR

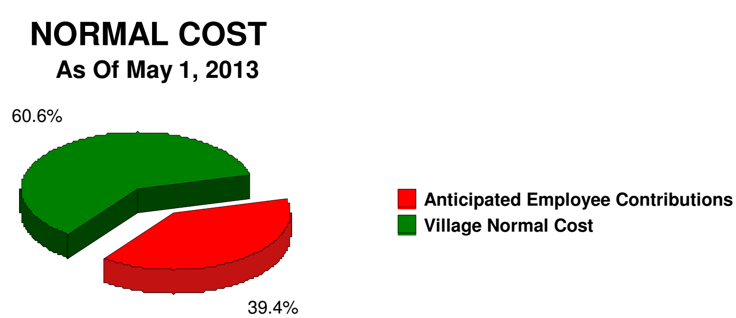
| | | | |
|---|---|---|---|
| Trust Balance as of May 1, 2012 | | $ | 15,198,174 |
| Contributions | | | |
| Village | 1,716,750 | | |
| Employee | 285,568 | | |
| Total | | | 2,002,318 |
| Payments | | | |
| Benefit Payments | 2,318,212 | | |
| Expenses | 106,362 | | |
| Total | | | 2,424,574 |
| Investment Income | | | 1,227,332 |
| Trust Balance as of May 1, 2013 | | $ | 16,003,250 |
| Approximate Annual Rate of Return | | | 8.19% |



NORMAL COST

The Normal Cost is the actuarial present value of the portion of the projected benefits that are expected to accrue during the year based upon the actuarial valuation method and actuarial assumptions employed in the valuation.

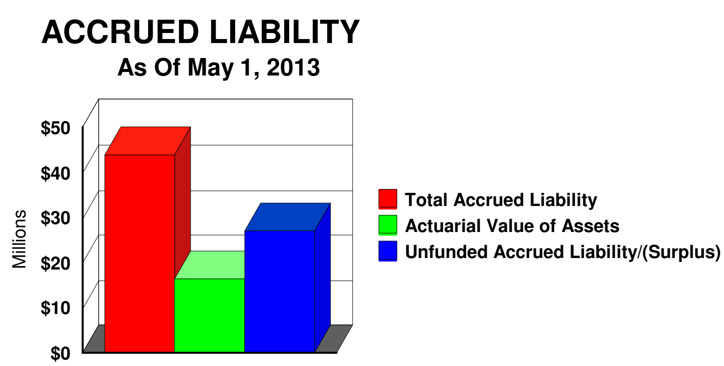
| | as of May 1 2013 | 2012 |
|---|---|---|
| Total Normal Cost | $ 736,188 | $ 715,594 |
| Anticipated Employee Contributions | 290,414 | 289,495 |
| Village Normal Cost | 445,774 | 426,099 |
| Normal Cost Payroll | $ 2,930,511 | $ 2,921,239 |
| Village Normal Cost Rate | 15.21% | 14.59% |
| Total Normal Cost Rate | 25.12% | 24.50% |



ACCRUED LIABILITY

The Accrued Liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and actuarial assumptions employed in the valuation. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets.

| | as of May 1 | | | |
|---|---|---|---|---|
| Accrued Liability | | 2013 | | 2012 |
| Active Employees | $ | 12,954,958 | $ | 12,102,923 |
| | | | | |
| Children Annuities | | 0 | | 0 |
| Disability Annuities | | 1,395,580 | | 510,876 |
| Retirement Annuities | | 29,028,215 | | 28,403,170 |
| Surviving Spouse Annuities | | 449,983 | | 453,377 |
| Terminated Vested Annuities | | 70,624 | | 0 |
| Total Annuities | | 30,944,402 | | 29,367,423 |
| | | | | |
| Total Accrued Liability | | 43,899,360 | | 41,470,346 |
| | | | | |
| Actuarial Value of Assets | | 16,487,088 | | 15,824,603 |
| | | | | |
| Unfunded Accrued Liability/(Surplus) | $ | 27,412,272 | $ | 25,645,743 |
| | | | | |
| Percent Funded | | 37.6% | | 38.2% |



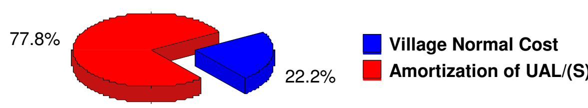
TAX LEVY REQUIREMENT

The Public Act 096-1495 Tax Levy Requirement is determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the excess (if any) of ninety percent (90%) of the accrued liability over the actuarial value of assets as a level percentage of payroll over a thirty (30) year period which commenced in 2011, plus an adjustment for interest. Prior to 2011, the amortization amount was equal to the amount to amortize the unfunded accrued liability as a level percentage of payroll over a forty (40) year period which commenced in 1993. Beginning in 2011, the amortization period remains a forty (40) year period which commenced in 1993.

| | For Year Ending April 30 | | | |
|---|---|---|---|---|
| | | 2014 | | 2013 |
| Village Normal Cost as of Beginning of Year | $ | 445,774 | $ | 426,099 |
| Amortization of Unfunded Accrued Liability/(Surplus) | | 1,562,156 | | 1,401,275 |
| Interest for One Year | | 140,555 | | 127,916 |
| Tax Levy Requirement as of End of Year | $ | 2,148,485 | $ | 1,955,290 |
| Public Act 096-1495 Tax Levy Requirement | | | | |
| 1) Normal Cost (PUC) | | 488,917 | | 449,874 |
| 2) Accrued Liability (PUC) | | 42,404,309 | | 40,130,530 |
| 3) Amortization Payment | | 930,656 | | 846,757 |
| 4) Interest for One Year | | 99,370 | | 90,764 |
| 5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4) | $ | 1,518,943 | | 1,387,395 |

**TAX LEVY REQUIREMENT**

**For Fiscal Year Ending April 30, 2014**



SUMMARY OF PLAN PARTICIPANTS

The actuarial valuation of the Plan is based upon the employee data furnished by the Village. The information provided for Active participants included:

Name
Sex
Date of Birth
Date of Hire
Compensation
Employee Contributions

The information provided for Inactive participants included:

Name
Sex
Date of Birth
Date of Pension Commencement
Monthly Pension Benefit
Form of Payment

| Membership | 2013 | 2013 | 2012 | 2012 |
|---|---|---|---|---|
| Current Employees | | | | |
| Vested | 24 | | 25 | |
| Nonvested | 14 | | 15 | |
| Total | 38 | | 40 | |
| | | | | |
| Inactive Participants | | Annual Benefits | | Annual Benefits |
| Children | 0 | $ 0 | 0 | $ 0 |
| Disabled Employees | 2 | 76,237 | 1 | 27,444 |
| Retired Employees | 31 | 2,168,103 | 31 | 2,102,655 |
| Surviving Spouses | 1 | 47,228 | 1 | 47,228 |
| Terminated Vesteds | 1 | 22,071 | 0 | 0 |
| Total | 35 | 2,313,639 | 33 | 2,177,327 |
| | | | | |
| Annual Payroll | | $ 2,930,511 | | $ 2,921,239 |

SUMMARY OF PLAN PARTICIPANTS (Continued)

Age and Service Distribution

| Service<br>Age | 0-4 | 5-9 | 10-14 | 15-19 | 20-24 | 25-29 | 30+ | Total | Salary |
|---|---|---|---|---|---|---|---|---|---|
| 20-24 | | | | | | | | | |
| 25-29 | 5 | | | | | | | 5 | 64,451 |
| 30-34 | 2 | 2 | 4 | | | | | 8 | 72,953 |
| 35-39 | 1 | 4 | 7 | 2 | | | | 14 | 79,124 |
| 40-44 | | 1 | 2 | 1 | 1 | | | 5 | 79,277 |
| 45-49 | | | 1 | 1 | 2 | 1 | | 5 | 89,087 |
| 50-54 | | | | | 1 | | | 1 | 75,067 |
| 55-59 | | | | | | | | | |
| 60+ | | | | | | | | | |
| Total | 8 | 7 | 14 | 4 | 4 | 1 | 0 | 38 | 77,119 |
| Salary | 62,668 | 75,661 | 81,375 | 82,098 | 82,935 | 100,157 | | | |

Average Age: 37.1 Average Service: 10.6

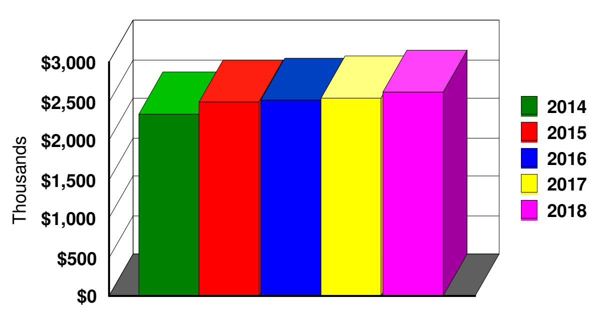
DURATION (years) Active Members: 23.2 Retired Members: 9.7 All Members: 13.3

PROJECTED PENSION PAYMENTS

| 2014 | 2015 | 2016 | 2017 | 2018 |
|---|---|---|---|---|
| $2,336,608 | $2,500,782 | $2,522,472 | $2,539,928 | $2,632,631 |

**PROJECTED PENSION PAYMENTS**

**2014-2018**



## SUMMARY OF PLAN PROVISIONS

The Plan Provisions have not been changed from the prior year.

The Village of Alsip Police Pension Fund was created and is administered as prescribed by "Article 3. Police Pension Fund - Municipalities 500,000 and Under" of the Illinois Pension Code (Illinois Compiled Statutes, 1992, Chapter 40). A brief summary of the plan provisions is provided below.

Employees attaining the age of (50) or more with (20) or more years of creditable service are entitled to receive an annual retirement benefit of (2.5%) of final salary for each year of service up to (30) years, to a maximum of (75%) of such salary.

Employees with at least (8) years but less than (20) years of credited service may retire at or after age (60) and receive a reduced benefit of (2.5%) of final salary for each year of service.

Surviving spouses receive (100%) of final salary for fatalities resulting from an act of duty, or otherwise the greater of (50%) of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive (65%) of final salary.

The monthly pension of a covered employee who retired with (20) or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least (55) years, by (3%) of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as (3%) of the amount of the pension payable at the time of the increase.

Employees are required to contribute (9.91%) of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than (20) years of service, accumulated employee contributions may be refunded without accumulated interest.

For Employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee’s Accrued Benefit is based on the Employee’s final 8-year average salary not to exceed $106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse’s Benefits are 66 2/3% of the Employee’s benefit at the time of death.

## ACTUARIAL METHODS

The Actuarial Methods employed for this valuation are as follows:

### Projected Unit Credit Cost Method (for years beginning on or after 2011 for PA 096-1495)

Under the Projected Unit Credit Cost Method, the Normal Cost is the present value of the projected benefit (including projected salary increases) earned during the year.

The Accrued Liability is the present value of the projected benefit (including projected salary increases) earned as of the actuarial valuation date. 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.

### 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 Normal Cost for the plan is determined as the sum of the Normal Costs for all active participants.

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

The Actuarial Assumptions used for determining the Tax Levy Requirement and GASB Statements No. 25 & 27 Disclosure Information are the same (except where noted) and have been changed from the prior year (discussion on page 4). 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. The Actuarial Assumptions employed for this valuation are as follows:

| | |
|---|---|
| Valuation Date | May 1, 2013 |
| Asset Valuation Method | 5-year Average Market Value (PA 096-1495) |
| Investment Return | 7.00% net of investment expenses. |
| Salary Scale | 5.50% |
| Mortality | RP 2000 Mortality Table (BCA, +1M, -4F, 2x>105). There is no margin for future mortality improvement beyond the valuation date. |
| Withdrawal | State of Illinois DOI Experience Rates |
| Disability | State of Illinois DOI Experience Rates |
| Retirement | State of Illinois DOI Experience Rates (100% by Age 62) |
| Marital Status | 80% Married, Female spouses 3 years younger |
| Plan Expenses | None |

Sample Annual Rates Per 100 Participants

| Age | Mortality | Withdrawal | Disability | Retirement |
|---|---|---|---|---|
| 20 | 0.04 | 6.00 | 0.07 | |
| 30 | 0.08 | 5.10 | 0.10 | |
| 40 | 0.14 | 2.85 | 0.20 | |
| 50 | 0.27 | | 0.52 | 20.00 |
| 60 | 0.94 | | 0.60 | 83.33 |
| 62 | 1.23 | | | 100.00 |

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION

The Governmental Accounting Standards Board (GASB) issued Statements No. 25 & 27 that established generally accepted accounting principles for the annual financial statements for defined benefit pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

| | April 30, 2013 | April 30, 2012 |
|---|---|---|
| Retirees and beneficiaries receiving benefits | 34 | 33 |
| Terminated plan members entitled to but not yet receiving benefits | 1 | 0 |
| Active vested plan members | 24 | 25 |
| Active nonvested plan members | 14 | 15 |
| Total | 73 | 73 |
| 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) |
|---|---|---|---|---|---|---|
| 04/30/11 | 15,120,768 | 39,303,606 | 24,182,838 | 38.5% | 2,642,412 | 915.2% |
| 04/30/12 | 15,198,174 | 41,470,346 | 26,272,172 | 36.6% | 2,921,239 | 899.4% |
| 04/30/13 | 16,003,250 | 43,899,360 | 27,896,110 | 36.5% | 2,930,511 | 951.9% |

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

ANNUAL PENSION COST AND NET PENSION OBLIGATION

| | April 30, 2013 | April 30, 2012 |
|---|---|---|
| Annual required contribution | 1,782,529 | 1,704,192 |
| Interest on net pension obligation | (22,470) | (17,244) |
| Adjustment to annual required contribution | 17,789 | 13,118 |
| Annual pension cost | 1,777,848 | 1,700,066 |
| Contributions made | 1,716,750 | 1,774,722 |
| Increase (decrease) in net pension obligation | 61,098 | (74,656) |
| Net pension obligation beginning of year | (320,997) | (246,341) |
| Net pension obligation end of year | (259,899) | (320,997) |

THREE-YEAR TREND INFORMATION

| Fiscal Year Ending | Annual Pension Cost (APC) | Percentage of APC Contributed | Net Pension Obligation |
|---|---|---|---|
| 04/30/11 | 1,763,481 | 98.2% | (246,341) |
| 04/30/12 | 1,700,066 | 104.4% | (320,997) |
| 04/30/13 | 1,777,848 | 96.6% | (259,899) |

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

| | | |
|---|---|---|
| Contribution rates: | | |
| Village | 58.58% | 60.75% |
| Plan members | 9.91% | Same |
| Annual pension cost | 1,777,848 | 1,700,066 |
| Contributions made | 1,716,750 | 1,774,722 |
| Actuarial valuation date | 04/30/2013 | 04/30/2012 |
| Actuarial cost method | Entry age | Same |
| Amortization period | Level percentage of pay, closed | Same |
| Remaining amortization period | 20 years | 21 years |
| Asset valuation method | Market | Same |
| Actuarial assumptions: | | |
| Investment rate of return* | 7.00% | Same |
| Projected salary increases* | 5.50% | Same |
| *Includes inflation at | 3.00% | Same |
| Cost-of-living adjustments | 3.00% per year | Same |