



VILLAGE OF ALSIP
HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES

Actuarial Valuation Report

For the Year

Beginning May 1, 2012

And Ending April 30, 2013

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

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INTRODUCTION

The Village of Alsip provides limited health care insurance coverage for its eligible retired employees. The purpose of this report is to disclose the GASB Statements No. 43 & 45 financial information and related actuarial information for the year beginning May 1, 2012, and ending April 30, 2013. The last actuarial valuation was completed three years ago (4/30/2009), thus, the results from April 30, 2009, were relied upon for the past three years.

The valuation results reported herein are based on the plan provisions and the employee data furnished by the Village, 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 plan as of April 30, 2012, 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, EA, MAAA
Enrolled Actuary No. 11-4384

Date

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION

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

Membership in the plan consisted of the following as of:

	<u>April 30, 2012</u>	<u>April 30, 2011¹</u>
Retirees and beneficiaries receiving benefits	67	63
Terminated plan members entitled to but not yet receiving benefits	0	0
Active vested plan members	71	64
Active nonvested plan members	<u>55</u>	<u>70</u>
Total	<u>193</u>	<u>197</u>
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)
04/30/10 ¹	0	8,628,731	8,628,731	0.0%		
04/30/11 ¹	0	8,628,731	8,628,731	0.0%		
04/30/12	0	12,257,486	12,257,486	0.0%		

¹ Results from prior year.

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

ANNUAL OPEB COST AND NET OPEB OBLIGATION

	<u>April 30, 2012</u>	<u>April 30, 2011</u>
Annual required contribution	679,753	679,753
Interest on net OPEB obligation	51,575	52,636
Adjustment to annual required contribution	<u>(42,979)</u>	<u>(35,091)</u>
Annual OPEB cost	688,349	697,298
Contributions made	<u>460,650</u>	<u>460,650</u>
Increase (decrease) in net OPEB obligation	227,699	236,648
Net OPEB obligation beginning of year	<u>1,289,374</u>	<u>1,052,726</u>
Net OPEB obligation end of year	<u>1,517,073</u>	<u>1,289,374</u>

THREE-YEAR TREND INFORMATION

Fiscal Year <u>Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	Net OPEB <u>Obligation</u>
04/30/10 ²			1,052,726
04/30/11	697,298	66.1%	1,289,374
04/30/12	688,349	66.9%	1,517,073

ANNUAL REQUIRED CONTRIBUTION

	<u>April 30, 2013</u>	<u>April 30, 2012¹</u>
Service Cost	547,895	359,760
Amortization	408,583	287,624
Interest	<u>38,259</u>	<u>32,369</u>
Annual required contribution	<u>994,737</u>	<u>679,753</u>

¹ Results from prior year.

² Completed by Village.

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

FUNDING POLICY AND ACTUARIAL ASSUMPTIONS

The last actuarial valuation was completed three years ago (04/30/2009). The Net OPEB Obligation has been updated through 06/30/2012. The Investment Rate of Return and Projected Salary Increases Assumptions have been reduced to 4.0% from 5.0%. The Implicit Benefit Percentage has been increased to 40% from 20%. The current premiums have decreased 12.8%. There are no retired members receiving PSEBA benefits (no change from the prior valuation).

Contribution rates:

Village

Plan members 0.00%

Actuarial valuation date 04/30/2012

Actuarial cost method Entry age

Amortization period Level percentage of pay, open

Remaining amortization period 30 years

Asset valuation method Market

Actuarial assumptions:

Investment rate of return* 4.00%

Projected salary increases 4.00%

Healthcare inflation rate 8.00% initial, 6.00% ultimate (0.5% reduction per year)

Mortality, Turnover, Disability, Retirement Ages Similar rates utilized for IMRF, Police and Firefighter Pension Funds

Percentage of Active Employees Assumed to Elect Benefit 100%

Employer Provided Benefit Explicit: 50% of premium to age 65, 10% of premium after age 65 for life (premium post-65 \$617-\$1,234/mo)
Implicit: 40% of premium to age 65 (50% of \$617/mo + 50% of \$1,192/mo)

* Includes inflation at 3.00%

VILLAGE OF ALSIP									
GASB 45 Summary as of April 30, 2012									
Division	Service Cost	Active Liability	Retired Liability	Total Liability	Annual Required Contribution	Expected Payments	Actives	Retirees	Total
IMRF	135,400	1,574,906	345,235	1,920,141	207,381	95,056	50	18	68
Police	208,627	2,580,709	2,746,059	5,326,768	401,633	341,461	41	25	66
Fire	203,868	2,814,350	2,196,228	5,010,578	385,723	208,136	35	24	59
Total	547,895	6,969,964	5,287,522	12,257,486	994,737	644,653	126	67	193
Discount Rate: 4.0%									
Medical Inflation Rate: 8.0% initial, 6.0% ultimate									
Future Payroll Increases: 4.0%									

ACTUARIAL METHOD AND TABLES

Entry Age Normal Cost Method

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

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

ACTUARIAL ASSUMPTIONS AND TABLES

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

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

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