

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

Actuarial Valuation
as of May 1, 2017



VILLAGE OF ALSIP, ILLINOIS
POSTRETIREMENT HEALTH
PLAN

Limited-Year Reporting
Reporting under GASB Statement 75

For the April 30, 2019 Financial Statement Reporting

LAUTERBACH & AMEN, LLP

Actuarial GASB Disclosures Statements 74 and 75



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF ALSIP, ILLINOIS POSTRETIREMENT HEALTH PLAN

Fiscal Year Ending: April 30, 2019

Actuarial Valuation Date: May 1, 2017

Measurement Date: April 30, 2019

Utilizing Data as of April 30, 2018

Submitted by:

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October 23, 2019

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. Our calculations are based on the methodology for limited-year reporting under GASB 75 outlined in this report. 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, Illinois. 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, Illinois 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, Illinois and Lauterbach & Amen, LLP that impairs our objectivity.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

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



MANAGEMENT SUMMARY

Comments and Analysis
Limited-Year Reporting



COMMENTS AND ANALYSIS

This report details the data, assumptions, and underlying methodology used in the GASB 74/75 valuation as of May 1, 2017. The results assumed that no significant changes have been made to the retiree medical program and a full valuation is not required. Please confirm with your auditors that limited-year reporting is acceptable for the Fiscal Year ended April 30, 2019 before relying on these results. If you made significant changes to the retiree medical plan, a full valuation may be required.

LIMITED-YEAR REPORTING

Limited-year reporting relies on census, medical information – including claims and premiums, and benefit information utilized in the GASB 74/75 valuation as of May 1, 2017. This information is not updated in the limited-year report. The limited-year report does reflect updates to the Measurement Date, discount rate, and Covered-Employee Payroll.

Assumptions

The Discount Rate has been decreased from 3.97% to 3.79% to better reflect the current high-quality fixed income environment. The underlying index used is the Bond Buyer 20-Bond GO 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 used is the April 25, 2019 rate. The change was made to reflect our understanding of the requirements of GASB limited-year reporting under Statement 74 and Statement 75. See the Discount Rate section of this report for further details.

Excise Tax

The current valuation differs from the prior valuation as it now includes explicit liability based on the 40% Excise Tax. The tax is assumed to be applied for annual health plan costs that exceed \$11,850 for single coverage and \$30,950 for non-single coverage. This threshold is assumed to increase by the CPI-U plus 1% in 2019 and just by the CPI-U thereafter. The CPI-U is assumed to be 2.50%.



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



STATEMENT OF OPEB PLAN NET POSITION

	<u>4/30/2018</u>	<u>4/30/2019</u>
Assets		
Cash and Cash Equivalents	\$ -	\$ -
Total Cash	<u>-</u>	<u>-</u>
Receivables:		
Due from Village	-	-
Investment Income - Accrued Interest	-	-
Other	-	-
Total Receivables	<u>-</u>	<u>-</u>
Investments:		
Common Stock	-	-
Total Investments	<u>-</u>	<u>-</u>
Total Assets	<u>-</u>	<u>-</u>
Liabilities		
Payables:		
Expenses Due/Unpaid	-	-
Other	-	-
Total Liabilities	<u>-</u>	<u>-</u>
Net Position Restricted for Postretirement Plan	<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.



STATEMENT OF CHANGES IN OPEB TRUST AND OPEB PLAN NET POSITION

	<u>4/30/2019</u> <u>OPEB Trust</u>	<u>4/30/2019</u> <u>OPEB Plan</u>
Additions		
Contributions		
Employer	\$ -	\$ 1,592,477
Member	-	-
Other	-	-
Total Contributions	<u>-</u>	<u>1,592,477</u>
Investment Income		
Total Investment Income	-	-
Interest and Dividends	-	-
Less Investment Expense	-	-
Net Investment Income	<u>-</u>	<u>-</u>
Total Additions	<u>-</u>	<u>1,592,477</u>
Deductions		
Benefit Payments	-	1,592,477
Administrative Expense	-	-
Total Deductions	<u>-</u>	<u>1,592,477</u>
Net Increase in Net Position	<u>-</u>	<u>-</u>
Net Position Restricted for Postretirement Plan		
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.



STATEMENT OF OPEB PLAN BENEFIT PAYMENTS AND CONTRIBUTIONS

	<u>4/30/2019</u>
Employer Contributions	
OPEB Trust Contributions	\$ -
Contributions from Other Village Resources*	<u>1,592,477</u>
Total OPEB Plan Contributions	<u>\$ 1,592,477</u>
Employer Benefit Payments	
Benefit Payments from Trust	\$ -
Benefit Payments from Other Village Resources*	<u>1,592,477</u>
Total OPEB Plan Benefit Payments	<u>\$ 1,592,477</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, \$1,065,454 are explicit benefit payments and \$527,023 are implicit benefit payments due to the presence of retirees in the determination of the blended retiree/active premiums. None of the benefit payments from Other Village Resources are associated with the 40% Excise Tax based on the Affordable Care Act.



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
Liability Breakdown



STATEMENT OF TOTAL OPEB LIABILITY

	<u>4/30/2018</u>	<u>4/30/2019</u>
Total Active Employees	\$ 20,927,552	\$ 23,965,516
Inactive Employees Currently Receiving Benefit Payments	27,873,945	28,662,641
Inactive Employees Entitled To But Not Yet Receiving Benefit Payments	<u>-</u>	<u>-</u>
Total Inactive Employees	<u>27,873,945</u>	<u>28,662,641</u>
Total OPEB Liability	<u>\$ 48,801,497</u>	<u>\$ 52,628,157</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.



STATEMENT OF CHANGES IN TOTAL OPEB LIABILITY

Total OPEB Liability	4/30/2019
Service Cost	\$ 1,323,073
Interest	1,907,572
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience [^]	634,293
Changes in Assumptions	1,554,199
Benefit Payments*	(1,592,477)
Net Change in Total OPEB Liability	3,826,660
Total OPEB Liability - Beginning	48,801,497
Total OPEB Liability - Ending (a)	<u>\$ 52,628,157</u>
OPEB Plan Net Position - Ending (b)	<u>\$ -</u>
Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ 52,628,157</u>
OPEB Plan Net Position as a Percentage of the Total OPEB Liability	0.00%
Covered-Employee Payroll	\$ 8,839,089
Employer's Net OPEB Liability as a Percentage of Employee Payroll	595.40%

[^]The differences between expected and actual experience is based on the inclusion of the Excise Tax in the current valuation.

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

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. Because this is a limited-year report, the only changes in the Net OPEB Liability related to changes in assumptions is based on the change in the assumed discount rate.

Total OPEB Liability may be dependent on the Net Position of the postretirement plan. Changes in the Net Position could change the determination of the Total OPEB Liability. 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 Liability (a)	OPEB Plan Net Position (b)	Net OPEB Liability (a) - (b)
Balances Beginning at 5/1/2018	<u>\$ 48,801,497</u>	<u>\$ -</u>	<u>\$ 48,801,497</u>
Changes for the year:			
Service Cost	1,323,073	-	1,323,073
Interest	1,907,572	-	1,907,572
Actuarial Experience	634,293	-	634,293
Assumptions Changes	1,554,199	-	1,554,199
Plan Changes	-	-	-
Contributions - Employer	-	1,592,477	(1,592,477)
Contributions - Employee	-	-	-
Contributions - Other	-	-	-
Net Investment Income	-	-	-
Benefit Payments from Trust	(1,592,477)	(1,592,477)	-
Administrative Expense	-	-	-
Net Changes	<u>3,826,660</u>	<u>-</u>	<u>3,826,660</u>
Balances Ending at 4/30/2019	<u><u>\$ 52,628,157</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 52,628,157</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:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences Between Expected and Actual Experience	\$ 557,409	\$ -
Changes of Assumptions	1,365,811	-
Net Difference Between Projected and Actual Earnings on Postretirement Plan Investments	-	-
Total Deferred to be Recognized in Future Expense	<u>\$ 1,923,220</u>	<u>\$ -</u>
Contributions Subsequent to the Measurement Date*	\$ -	\$ -
Total	<u>\$ 1,923,220</u>	<u>\$ -</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:	
2020	\$ 265,272
2021	265,272
2022	265,272
2023	265,272
2024	265,272
Thereafter	596,860

Due to the nature of limited-year reporting, the only change in the Net OPEB Liability related to changes in assumptions is based on the change in the assumed discount rate.



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.

OPEB Expense Source	Date Established	Initial Period	Initial Balance	Remaining Period	4/30/2019 Expense Recognized	4/30/2019 Deferred Balance
Change in Assumptions Loss	4/30/2019	8.25	\$ 1,554,199	8.25	\$ 188,388	\$ 1,365,811
Actuarial Loss	4/30/2019	8.25	\$ 634,293	8.25	\$ 76,884	\$ 557,409
Total			<u>\$ 2,188,492</u>		<u>\$ 265,272</u>	<u>\$ 1,923,220</u>

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.



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>4/30/2019</u>
OPEB Expense/(Income) Under GASB 75	
Service Cost	\$ 1,323,073
Interest	1,907,572
Plan Changes	-
Contributions - Employee	-
Contributions - Other	-
Expected Investment Income	-
Administrative Expense	-
Other Changes	-
Initial OPEB Expense/(Income)	<u>3,230,645</u>
Recognition of Outflow/(Inflow) of Resources due to Liabilities	265,272
Recognition of Outflow/(Inflow) of Resources due to Assets	-
Total OPEB Expense/(Income)	<u>\$ 3,495,917</u>



LIABILITY BREAKDOWN

Division	Fire	Police	General Fund's IMRF Employees	Road and Bridge Fund	Water Department	Total
Total Active Employees	10,650,587	10,777,494	1,539,169	116,283	881,982	23,965,516
Inactive Employees Currently Receiving Benefit Payments	10,219,327	11,887,218	3,795,858	1,814,227	946,010	28,662,641
Inactive Employees Entitled To But Not Yet Receiving Benefit Payments	-	-	-	-	-	-
Total OPEB Liability	20,869,914	22,664,712	5,335,027	1,930,511	1,827,993	52,628,157
Service Cost	574,657	636,683	73,029	15,188	23,517	1,323,073
Interest	747,386	791,900	236,986	67,667	63,633	1,907,572
Change of Benefit Terms	-	-	-	-	-	-
Difference Between Expected and Actual Experience	201,117	228,965	114,482	58,788	30,941	634,293
Change in Assumptions	875,108	1,409,270	(1,005,454)	138,582	136,692	1,554,199
Benefit Payments	(673,052)	(634,263)	(137,198)	(98,551)	(49,414)	(1,592,477)
Net Change in Total OPEB Liability	1,725,216	2,432,556	(718,155)	181,674	205,369	3,826,660
Total OPEB Liability - Beginning	19,144,698	20,232,157	6,053,182	1,748,836	1,622,624	48,801,497
Total OPEB Liability - Ending	20,869,914	22,664,713	5,335,027	1,930,511	1,827,993	52,628,157
Total Active Employees	36	43	19	16	8	122
Inactive Employees Currently Receiving Benefit Payments	29	31	18	3	2	83
Inactive Employees Entitled To But Not Yet Receiving Benefit Payments	-	-	-	-	-	-
Total Plan Members	65	74	37	19	10	205



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





STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS

The assumptions detailed below are based on the baseline calculations for the Fiscal Year ending April 30, 2018 with the exception of the assumed end of year discount rate.

Assumptions (Economic)

Discount Rate used for the Total OPEB Liability	
Beginning of Year	3.97%
End of Year	3.79%
Long-Term Expected Rate of Return on Plan Assets	N/A
High Quality 20 Year Tax-Exempt G.O. Bond Rate	
Beginning of Year	3.97%
End of Year	3.79%
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 the HCA and HDHP with H.S.A Plan data:

HCA				
Age	Retiree		Spouse	
	Male	Female	Male	Female
50	\$9,482	\$11,345	\$16,319	\$16,498
55	\$12,036	\$12,935	\$16,295	\$15,665
60	\$15,062	\$15,565	\$17,285	\$16,531
64	\$17,824	\$18,624	\$18,690	\$19,070
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



STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS - CONTINUED

Claims - Continued

HDHP with H.S.A.				
Age	Retiree		Spouse	
	Male	Female	Male	Female
50	\$8,584	\$10,270	\$14,774	\$14,935
55	\$10,896	\$11,709	\$14,751	\$14,181
60	\$13,636	\$14,091	\$15,648	\$14,965
64	\$16,136	\$16,860	\$16,919	\$17,264
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

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

	Annual Blended Premiums			
	<u>Retiree</u>	<u>Spouse</u>	<u>Child[^]</u>	<u>Family[^]</u>
HCA	\$9,548	\$9,251	\$8,783	\$18,368
HDHP with H.S.A.	\$8,670	\$8,389	\$7,947	\$16,662
Benistar*	\$5,507	\$5,507	N/A	N/A

[^]For retirees who have children covered, it is assumed that the children will age off once the Retiree attains age 65, or after one year if the Retiree is currently over age 65.

*Benistar is a Post-Medicare Plan Only.



STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS - CONTINUED

Healthcare Cost Trend Rates

Healthcare Trend		
(FY = Fiscal Year)		
<u>Period</u>	<u>Pre-65</u>	<u>Post-65</u>
FY 17 to FY 18	8.00%	5.00%
FY 18 to FY 19	8.00%	5.00%
FY 19 to FY 20	7.50%	5.00%
FY 20 to FY 21	7.50%	5.00%
FY 21 to FY 22	7.00%	5.00%
FY 22 to FY 23	7.00%	5.00%
FY 23 to FY 24	6.50%	5.00%
FY 24 to FY 25	6.50%	5.00%
FY 25 to FY 26	6.00%	5.00%
FY 26 to FY 27	6.00%	5.00%
FY 27 to FY 28	5.50%	5.00%
Ultimate	5.00%	5.00%

Assumptions (Demographic)

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

IMRF	100%
IMRF - Currently Waiving Coverage	33%
Firefighters	100%
Firefighters - Currently Waiving Coverage	33%
Police	100%
Police - Currently Waiving Coverage	33%

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

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.



STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS - CONTINUED

Plan Participation Rate Of the employees that will elect coverage at retirement, as noted above, it is assumed they will elect coverage in the available medical plans at the following rates:

	<u>IMRF</u>	<u>Firefighters</u>	<u>Police</u>
HCA	100%	100%	100%
HDHP with H.S.A.	0%	0%	0%

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

IMRF	0%
Firefighters	0%
Police	0%

Retirement Rates IMRF 2017 for IMRF Employees.

100% of the L&A Assumption Study Cap Age 65 for Firefighters 2016.
Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.068	53	0.111
51	0.080	54	0.132
52	0.094	55	0.155

100% of the L&A Assumption Study Cap Age 65 for Police 2016.
Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.117	53	0.139
51	0.124	54	0.147
52	0.131	55	0.156



STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS - CONTINUED

Termination Rates IMRF 2017 for IMRF Employees.

100% of the L&A Assumption Study for Firefighters 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.046	40	0.010
30	0.034	45	0.002
35	0.022	50	0.000

100% of the L&A Assumption Study for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.041	40	0.027
30	0.039	45	0.014
35	0.036	50	0.003

Disability Rates IMRF 2017 for IMRF Employees.

100% of the L&A Assumption Study for Firefighters 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0001	40	0.0030
30	0.0003	45	0.0055
35	0.0013	50	0.0092

100% of the L&A Assumption Study for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0005	40	0.0028
30	0.0010	45	0.0043
35	0.0018	50	0.0064



STATEMENT OF SIGNIFICANT ACTUARIAL ASSUMPTIONS – CONTINUED

Mortality Rates

IMRF Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Active Firefighter Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Retiree Firefighter Mortality follows the L&A Assumption Study for Firefighters 2016. These Rates are Experience Weighted with the Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment and Improved Generationally using MP-2016 Improvement Rates.

Active Police Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Retiree Police Mortality follows the L&A Assumption Study for Police 2016. These Rates are Experience Weighted with the Raw Rates as Developed in the RP-2014 Study, with Blue Collar Adjustment and Improved Generationally using MP-2016 Improvement Rates.

Disabled Mortality follows the Sex Distinct Raw Rates as Developed in the RP-2014 Study for Disabled Participants, with Blue Collar Adjustment. These Rates are Improved Generationally using MP-2016 Improvement Rates.

Spouse Mortality follows the Sex Distinct Raw Rates as developed in the RP-2014 Study. These rates are improved generationally using MP-2016 Improvement Rates.



ASSUMPTION CHANGES

The assumptions were changed from the prior year.

The assumed rate on High Quality 20-year Tax-Exempt G.O. Bonds was changed from 3.97% to 3.79% 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 3.97% to 3.79%. 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.

MUNICIPAL BOND RATE

The Municipal Bond Rate assumption is based on The Bond Buyer 20-Bond GO Index. The rate shown earlier in the Assumption section is the April 25, 2019 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, Illinois, 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 Assets 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 prior section. 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 2.50%, which is an underlying component of the discount rate and assumed health care trend rates.

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.



SENSITIVITY OF THE DISCOUNT RATE

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

	1% Decrease (2.79%)	Current Discount Rate (3.79%)	1% Increase (4.79%)
Employer's Net OPEB Liability/(Asset)	\$62,795,575	\$52,628,157	\$44,843,484

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.

	1% Decrease (Varies)	Healthcare Cost Trend Rates (Varies)	1% Increase (Varies)
Employer's Net OPEB Liability/(Asset)	\$42,305,031	\$52,628,157	\$67,927,102

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



PARTICIPANT DATA

Participant Demographic Data
Expected Future Working Lifetime



PARTICIPANT DEMOGRAPHIC DATA

The chart below summarizes the employee count of plan Members:

Measurement Date	4/30/2018	4/30/2019
Total Active Employees	122	122
Inactive Employees Currently Receiving Benefit Payments	83	83
Inactive Employees Entitled To But Not Yet Receiving Benefit Payments	0	0
Total	205	205

Because this is a limited-year report, we did not collect new census data but instead relied on the census data used in the baseline calculations for the Fiscal Year ending April 30, 2018. 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 Measurement Date.

The above active census counts include 32 IMRF participants, 1 firefighter participant, and 1 police participant 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 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:

Measurement Date	4/30/2018	4/30/2019
Average Future Working Career (In Years)		
Active Plan Members	13.86	13.86
Inactive Plan Members	0.00	0.00
Total	8.25	8.25

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





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 Total OPEB Liability over the Market Value of Assets.

For the Village of Alsip, Illinois, 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



SCHEDULE OF CHANGES IN THE NET OPEB LIABILITY

	<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>	<u>4/30/2010</u>
Total OPEB Liability										
Service Cost	\$ 1,323,073	\$ 1,272,553								
Interest	1,907,572	1,842,087								
Changes of Benefit Terms	-	-								
Differences Between Expected and Actual Experience	634,293	-								
Changes in Assumptions	1,554,199	-								
Benefit Payments	<u>(1,592,477)</u>	<u>(1,426,679)</u>								
Net Change in Total OPEB Liability	\$ 3,826,660	\$ 1,687,961								
Total OPEB Liability - Beginning	<u>48,801,497</u>	<u>47,113,536</u>								
Total OPEB Liability - Ending (a)	<u>\$ 52,628,157</u>	<u>\$ 48,801,497</u>								
OPEB Plan Net Position										
Contributions - Employer	\$ 1,592,477	\$ 1,426,679								
Contributions - Member	-	-								
Contributions - Other	-	-								
Net Investment Income	-	-								
Benefit Payments	(1,592,477)	(1,426,679)								
Administrative Expense	-	-								
Net Change in OPEB Plan Net Position	\$ -	\$ -								
OPEB Plan Net Position - Beginning	<u>-</u>	<u>-</u>								
OPEB Plan Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>								
Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ 52,628,157</u>	<u>\$ 48,801,497</u>								

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



SCHEDULE OF TOTAL OPEB LIABILITY AND RELATED RATIOS

	<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>	<u>4/30/2010</u>
Total OPEB Liability - Ending (a)	<u>\$ 52,628,157</u>	<u>\$ 48,801,497</u>								
OPEB Plan Net Position - Ending (b)	<u>\$ -</u>	<u>\$ -</u>								
Employer's Net OPEB Liability/(Asset) - Ending (a) - (b)	<u>\$ 52,628,157</u>	<u>\$ 48,801,497</u>								
OPEB Plan Net Position as a Percentage of the										
Total OPEB Liability	0.00%	0.00%								
Covered-Employee Payroll	\$ 8,839,089	\$ 8,573,319								
Employer's Net OPEB Liability as a Percentage of										
Covered-Employee Payroll	595.40%	569.23%								

Covered-Employee Payroll shown for the current year is the total covered payroll for the Fiscal Year for all plan Members.



SCHEDULE OF CONTRIBUTIONS

	<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>	<u>4/30/2010</u>
Actuarially Determined Contribution	N/A	N/A								
Contributions in Relation to the Actuarially Determined Contribution	<u>-</u>	<u>-</u>								
Contribution Deficiency (excess)	<u>N/A</u>	<u>N/A</u>								
Covered-Employee Payroll	<u>\$8,839,089</u>	<u>\$8,573,319</u>								
Contributions as a Percentage of Covered-Employee Payroll	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 \$1,592,477.



GASB METHODS AND PROCEDURES

GASB Methods and Procedures



GASB METHODS AND PROCEDURES

	Statement 74	Statement 75
	OPEB Plan Financials	Employer Financials
Fiscal Year End for Reporting	April 30, 2019	April 30, 2019
Measurement Date	April 30, 2019	April 30, 2019
Actuarial Valuation Date	May 1, 2017	May 1, 2017
Data Date	April 30, 2018	April 30, 2018
Asset Valuation Method	Market Value	Market Value
Actuarial Cost Method	Entry Age Normal (Level %)	Entry Age Normal (Level %)

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

Amortization Method	Straight Line	Straight Line
Amortization Period		
Actuarial Experience	8.25 Years	8.25 Years
Changes in Assumptions	8.25 Years	8.25 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.



PLAN PROVISIONS

Summary of Eligibility and Coverage



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 an OPEB Benefit

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.



SUMMARY OF ELIGIBILITY AND COVERAGE - CONTINUED

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)

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 document. 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):

For a non-PSEBA, the Employee will pay the Village employee rate for whichever covered plan they elect as dictated by State statute. Upon reaching normal retirement age, the appropriate Village ordinance stated above will apply.

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



SUMMARY OF ELIGIBILITY AND COVERAGE - CONTINUED

Duty-Disabled:

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

For a non-PSEBA, the Employee will pay the Village employee rate for whichever covered plan they elect as dictated by State statute. Upon reaching normal retirement age, the appropriate Village ordinance stated above will apply.

For a PSEBA Employee, the Village pays for 100% of the cost of coverage for the Employee and all applicable dependents for life. They are permitted to remain on insurance past Medicare eligibility.

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 4/19/2016):

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. 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.

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. 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.



SUMMARY OF ELIGIBILITY AND COVERAGE - CONTINUED

		% of COBRA Rate Retiree Pays			
		OPEB Tier I (Hired before 4/19/2016)		OPEB Tier II (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



SUMMARY OF ELIGIBILITY AND COVERAGE - CONTINUED

Dental and Vision Coverage

Types of Coverage:

Dental

Vision

Coverage Provisions

OPEB Tier I:

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:

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

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



GLOSSARY OF TERMS

GASB 74/75 Terminology



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.



Total OPEB Liability (“TOL”) – The actuarial present value of future benefits based on employees’ service rendered to the measurement data 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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