

VILLAGE OF LOMBARD
REQUEST FOR BOARD OF TRUSTEES ACTION
For Inclusion on Board Agenda

DISTRICT # _____

_____ Resolution or Ordinance (Blue) Waiver of First Requested _____
_____ Recommendations of Boards, Commissions & Committees (Green)
 X Other Business (Pink)

TO: PRESIDENT AND BOARD OF TRUSTEES

FROM: Scott R. Niehaus, Village Manager

DATE : October 22, 2018 **B of T** November 1, 2018

SUBJECT: **POLICE PENSION FUND MUNICIPAL COMPLIANCE REPORT**

SUBMITTED BY: Benny Ranallo, Secretary – Lombard Police Pension Fund

BACKGROUND/POLICY IMPLICATIONS:

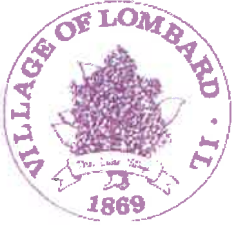
Attached is the Lombard Police Pension Fund’s Municipal Compliance Report for the year ended December 31, 2017. The Village of Lombard utilizes an actuarial service to assist in determining the Police Pension tax levy for the year for which the report is made.

We ask that the Village Board accept and file the report.

Review (as necessary):

Finance Director _____ Date _____
Village Manager Scott Niehaus Date 10/22/18

NOTE: All materials must be submitted to and approved by the Village Manager's Office by 12:00 noon, Wednesday, prior to the Agenda distribution.



The Police Pension Fund

VILLAGE OF LOMBARD

235 EAST WILSON AVE.

LOMBARD, IL 60148

TO: Board of Trustees, Village of Lombard
Village President – Keith Giagnorio
Village Clerk – Sharon Kuderna

THROUGH: Village Manager – Scott Niehaus

FROM: Tom Wirsing, Secretary-Lombard Police Pension Fund

DATE: October 22, 2018

SUBJECT: House Bill 5088 (Public Act 95-950) Municipal Compliance Report for the Year Ended December 31, 2017

All police pension funds under Article 3 are required by law to provide to their Village Board of Trustees on an annual basis a report (Municipal Compliance Report) compiling nine pieces of information as described in 40 ILCS 5/3-143.
(Excerpt below)

Attached is the Lombard Police Pension Fund's Municipal Compliance Report for the Year Ended December 31, 2017. This report is advisory as it brings many pieces of information together under one document. The Village of Lombard utilizes an actuarial service to assist in determining the police pension tax levy for the year for which the report is made. This material is in support of your November 1, 2018 Village Board Agenda item providing for the levy and assessment of taxes for the fiscal year beginning January 1, 2019 and ending December 31, 2019 for the Village of Lombard. The Lombard Police Pension fund respectfully requests a tax levy in the amount of \$2,840,564.

(40 ILCS 5/3-143) (from Ch. 108 1/2, par. 3-143)

Sec. 3-143. Report by pension board.

(a) The pension board shall report annually to the city council or board of trustees of the municipality on the condition of the pension fund at the end of its most recently completed fiscal year. The report shall be made prior to the council or board meeting held for the levying of taxes for the year for which the report is made.

The pension board shall certify and provide the following information to the city council or board of trustees of the municipality:

- (1) the total assets of the fund in its custody at the end of the fiscal year and the current market value of those assets;

- (2) the estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers, and from all other sources;
- (3) the estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in this Article, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127;
- (4) the total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year;
- (5) the total number of active employees who are financially contributing to the fund;
- (6) the total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits;
- (7) the funded ratio of the fund;
- (8) the unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability; and
- (9) the investment policy of the pension board under the statutory investment restrictions imposed on the fund.

Before the pension board makes its report, the municipality shall have the assets of the fund and their current market value verified by an independent certified public accountant of its choice.

(b) The municipality is authorized to publish the report submitted under this Section. This publication may be made, without limitation, by publication in a local newspaper of general circulation in the municipality or by publication on the municipality's Internet website. If the municipality publishes the report, then that publication must include all of the information submitted by the pension board under subsection (a).
(Source: P.A. 95-950, eff. 8-29-08.)

Tom Wirsing

Secretary
LOMBARD POLICE PENSION BOARD

THE VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND

PUBLIC ACT 95-0950
MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED
DECEMBER 31, 2017



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

668 N. RIVER ROAD • NAPERVILLE, ILLINOIS 60563

PHONE 630.393.1483 • FAX 630.393.2516

www.lauterbachamen.com

September 20, 2018

Members of the Pension Board of Trustees
Lombard Police Pension Fund
Lombard, Illinois

Enclosed please find a copy of your Municipal Compliance Report for the Lombard Police Pension Fund for the fiscal year ended December 31, 2017. We have prepared the report with the most recent information available at our office. Should you have more current information, or notice any inaccuracies, we are prepared to make any necessary revisions and return them to you.

The President and Secretary of the Pension Fund are required to sign the report on page 3. If not already included with the enclosed report, please also include a copy of the Pension Fund's most recent investment policy.

The signed Public Act 95-0950 - Municipal Compliance Report must be provided to the Municipality before the tax levy is filed on the last Tuesday in December. We are sending the report via email to promote an environmentally-friendly work atmosphere.

If you have any questions regarding this report, please contact your Client Manager or PSA.

Respectfully submitted,

LAUTERBACH & AMEN, LLP

**THE VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2017**

The Pension Board certifies to the Board of Trustees of the Village of Lombard, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

- 1) The total cash and investments, including accrued interest, of the fund at market value and the total net position of the Pension Fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Cash and Investments (including accrued interest)	<u>\$67,570,446</u>	<u>\$61,379,702</u>
Total Net Position	<u>\$67,489,844</u>	<u>\$61,303,888</u>

- 2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers and from other sources:

Estimated Receipts - Employee Contributions	<u>\$665,700</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$4,729,900</u>
Municipal Contributions	<u>\$2,840,564</u>

- 3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 3 of the Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:

(a) Pay all Pensions and Other Obligations	<u>\$5,345,300</u>
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	<u>\$2,968,998</u>
Private Actuary - Timothy W. Sharpe, Actuary	
Recommended Municipal Contribution	<u>\$2,840,564</u>
Statutory Municipal Contribution	<u>\$2,474,610</u>

**THE VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2017**

- 4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	Current Fiscal Year	Preceding Fiscal Year
Net Income Received from Investment of Assets	<u>\$6,681,924</u>	<u>\$3,223,224</u>
Assumed Investment Return		
Illinois Department of Insurance	<u>6.50%</u>	<u>6.75%</u>
Private Actuary - Timothy W. Sharpe, Actuary	<u>7.00%</u>	<u>7.00%</u>
Actual Investment Return	<u>10.36%</u>	<u>5.38%</u>

- 5) The total number of active employees who are financially contributing to the fund:

Number of Active Members	<u>66</u>
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- 6) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	Number of	Total Amount Disbursed
(i) Regular Retirement Pension	<u>55</u>	<u>\$3,766,731</u>
(ii) Disability Pension	<u>5</u>	<u>\$256,494</u>
(iii) Survivors and Child Benefits	<u>5</u>	<u>\$187,008</u>
Totals	<u>65</u>	<u>\$4,210,233</u>

**THE VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2017**

7) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	<u>65.82%</u>	<u>68.20%</u>
Private Actuary - Timothy W. Sharpe, Actuary	<u>67.35%</u>	<u>64.08%</u>

8) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	<u>\$34,914,828</u>
Private Actuary - Timothy W. Sharpe, Actuary	<u>\$32,680,285</u>

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 the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

9) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL POLICE
PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §3-143 of the Illinois Pension Code 40 ILCS 5/3-143, that the preceding report is true and accurate.

Adopted this 15th day of OCTOBER, 2018

President  Date 10/15/18

Secretary  Date 10/15/18

**THE VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2017**

INDEX OF ASSUMPTIONS

- 1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended December 31, 2017 and 2016.

Total Net Position - as Reported in the Audited Financial Statements for the Years Ended December 31, 2017 and 2016.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended December 31, 2017 plus 3.5% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest \$100.

Estimated Receipts - All Other Sources:

Investment Earnings - Cash and Investments as Reported in the Audited Financial Statements for the Year Ended December 31, 2017, times 7% (Actuarial Investment Return Assumption) Rounded to the Nearest \$100.

Municipal Contributions - Recommended Tax Levy Requirement as Reported by Timothy W. Sharpe, Actuary, Actuarial Valuation for the Year Ended December 31, 2017

- 3) (a) Pay all Pensions and Other Obligations - Total Non-Investment Deductions as Reported in the Audited Financial Statements for the Year Ended December 31, 2017, plus a 25% Increase, Rounded to the Nearest \$100.

(b) Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance - Suggested Amount of Tax Levy as Reported in the December 31, 2017 Actuarial Valuation.

Private Actuary - Timothy W. Sharpe, Actuary

Recommended Amount of Tax Levy as Reported by Timothy W. Sharpe, Actuary in the December 31, 2017 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Timothy W. Sharpe, Actuary in the December 31, 2017 Actuarial Valuation.

**THE VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2017**

INDEX OF ASSUMPTIONS - Continued

- 4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended December 31, 2017 and 2016.

Assumed Investment Return:

Illinois Department of Insurance - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the December 31, 2017 and 2016 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Timothy W. Sharpe, Actuary, December 31, 2017 and 2016 Actuarial Valuations.

Actual Investment Return - Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning balance of the Cash and Investments and the Ending balance of the Cash and Investments, excluding the fiscal year net investment income, as Reported in the Audited Financial Statements for the Fiscal Years Ended December 31, 2017 and 2016.

- 5) Number of Active Members - Illinois Department of Insurance Annual Statement for December 31, 2017 - Schedule P.
- 6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for December 31, 2017 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.
- (ii) Disability Pension - Same as above.
- (iii) Survivors and Child Benefits - Same as above.

**THE VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2017**

INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the December 31, 2017 and 2016 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the Timothy W. Sharpe, Actuary, December 31, 2017 and 2016 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) as Reported in the December 31, 2017 Actuarial Valuation.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Timothy W. Sharpe, Actuary in the December 31, 2017 Actuarial Valuation.



VILLAGE OF LOMBARD
LOMBARD POLICE PENSION FUND

Actuarial Valuation Report
For the Year
Beginning January 1, 2018
And Ending December 31, 2018

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

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INTRODUCTION

Police-sworn personnel of the Village of Lombard are covered by the Police Pension Plan that is a defined-benefit, single-employer pension plan. The purpose of this report is to provide to the Intended Users of this report, specifically the Intended Users are the Village Officials, the Pension Board and the Village and Pension Board auditors, the reporting requirements of the Illinois Pension Code, the GASB Statements No. 67 & 68 financial information and related actuarial information for the year stated in this report. This report is not intended for distribution or usage to or by anyone who is not an Intended User and should not be used for any other purpose.

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

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

I, Timothy W. Sharpe, am an Enrolled Actuary, and 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. 17-4384

5/15/2018

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 and the new Department of Insurance assumptions reported in the GRS Experience Study released in 2017. The mortality rates have been changed to the RP-2014 Mortality Table (BCHA) projected to 2018 using improvement scale MP-2017 (previously improvement scale MP-2016). The Disability, Withdrawal, Retirement, Salary Increase and Payroll Growth assumptions were changed to those reported in the GRS 2017 Experience Study. The impact of reducing the Payroll Growth assumption will increase the Unfunded Liability amortization payments in the early years, and thus will reduce the amortization payments in later years. Although the GRS 2017 Experience Study recommends an interest rate of 6.50%, the Village based on its analysis has decided to use an interest rate of 7.00%.

Scale MP-2017 is based on the same underlying methodology and committee selected assumption set used to develop Scale MP-2016 and reflects historical U.S. population mortality experience through 2015. The age-adjusted mortality rates in the United States increased from 724.6 (per 100,000) in 2014 to 733.1 in 2015, an increase of 1.2%. This was the first year-over-year increase in the age-adjusted U.S. mortality rates since 2005, and only the seventh time since 1980 that those annual rates went up rather than down. The Scale MP-2017 mortality improvement rates are generally lower than the corresponding Scale MP-2016 rates. Starting with RP-2014 base mortality rates adjusted back to 2006, most 2018 pension obligations calculated using Scale MP-2017 are anticipated to be lower than those calculated using Scale MP-2016.

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

Based on the plan sponsor's funding policy and future expected plan contributions and funded status, the plan is to be expected to produce adequate assets to make benefit payments when they are due.

The benefit payment default risk or the financial health of the plan sponsor was not deemed to be material.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

SUMMARY OF RESULTS (Continued)

There were no unexpected changes with respect to the participants included in this actuarial valuation (3 new members, 2 terminations, 4 retirements (1 deferred), 0 incidents of disability, annual payroll increase -2.5%, average increase 3.8%).

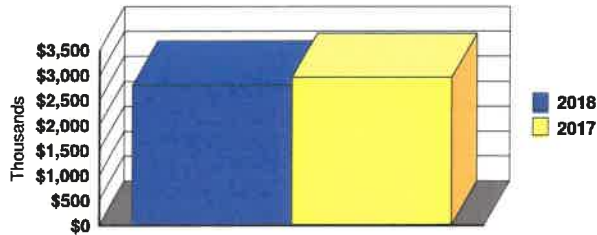
There were no unexpected changes with respect to the Fund's investments from the prior year (annualized investment return 10.94%).

The Village's Tax Levy Requirement has decreased from \$2,979,197 last year to \$2,840,564 this year (4.7%). The decrease in the Tax Levy is due to the investment return was greater than assumed and the changes to the assumptions. The Percent Funded has increased from 64.1% last year to 67.4% this year.

SUMMARY OF RESULTS (Continued)

	For Year Ending December 31	
	<u>2018</u>	<u>2017</u>
Tax Levy Requirement	\$ 2,840,564	\$ 2,979,197
Tax Levy as a Percentage of Payroll	44.22%	45.21%
	as of January 1	
	<u>2017</u>	<u>2017</u>
Village Normal Cost	527,916	777,983
Anticipated Employee Contributions	636,608	653,021
Accrued Liability	100,105,600	99,202,675
Actuarial Value of Assets	67,425,315	63,569,911
Unfunded Accrued Liability/(Surplus)	32,680,285	35,632,764
Amortization of Unfunded Accrued Liability/(Surplus)	2,126,817	2,006,313
Percent Funded	67.4%	64.1%
Annual Payroll	\$ 6,423,894	\$ 6,589,512

TAX LEVY REQUIREMENT
as of December 31



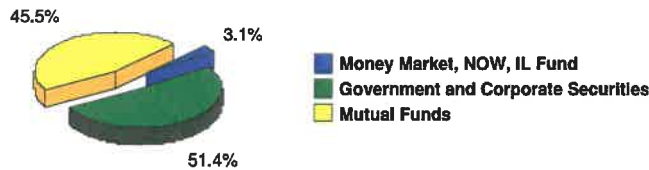
ACTUARIAL VALUATION OF ASSETS

	as of January 1	
	<u>2018</u>	<u>2017</u>
Money Market, NOW, IL Fund	\$ 2,111,320	\$ 1,536,580
Government Securities	34,615,520	31,970,418
Mutual Funds	30,628,133	27,682,242
Interest Receivable	215,473	190,463
Miscellaneous Receivable/(Payable)	<u>(80,602)</u>	<u>(75,814)</u>
Market Value of Assets	<u>67,489,844</u>	<u>61,303,888</u>
Actuarial Value of Assets	\$ 67,425,315	\$ 63,569,911

FYE 2014-2017 (Gain)/Loss: \$247,394; \$3,251,960; \$852,625; (\$2,407,959)

SUMMARY OF ASSETS

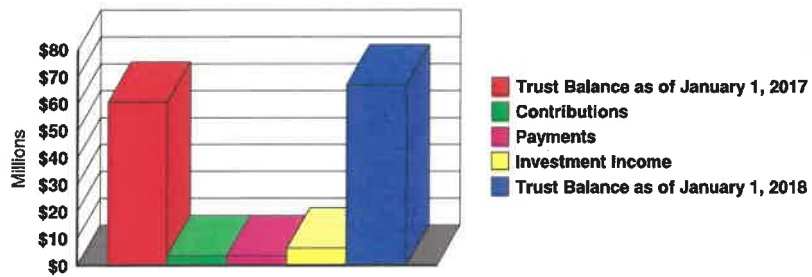
As Of January 1, 2018



ASSET CHANGES DURING PRIOR YEAR

Trust Balance as of January 1, 2017		\$	61,303,888
Contributions			
Village	3,080,822		
Employee	<u>699,450</u>		
Total			3,780,272
Payments			
Benefit Payments	4,210,233		
Expenses	<u>65,957</u>		
Total			4,276,190
Investment Income			<u>6,681,874</u>
Trust Balance as of January 1, 2018		\$	<u>67,489,844</u>
Approximate Annual Rate of Return			10.94%

ASSET CHANGES DURING PRIOR YEAR

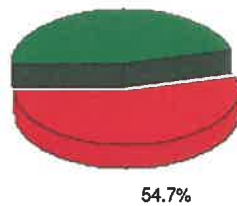


NORMAL COST

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 January 1	
	<u>2018</u>	<u>2017</u>
Total Normal Cost	\$ 1,164,524	\$ 1,431,004
Anticipated Employee Contributions	<u>636,608</u>	<u>653,021</u>
Village Normal Cost	<u>527,916</u>	<u>777,983</u>
Normal Cost Payroll	\$ 6,423,894	\$ 6,589,512
Village Normal Cost Rate	8.22%	11.81%
Total Normal Cost Rate	18.13%	21.72%

NORMAL COST
As Of January 1, 2018

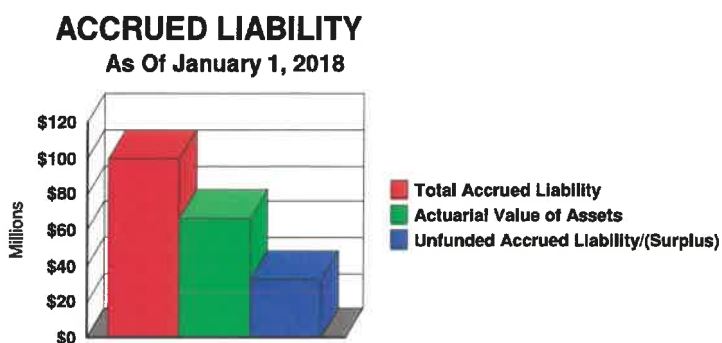


- Anticipated Employee Contributions
- Village Normal Cost

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 January 1	
Accrued Liability	<u>2018</u>	<u>2017</u>
Active Employees	\$ 40,270,720	\$ 43,635,813
Children Annuities	0	0
Disability Annuities	4,301,100	4,292,280
Retirement Annuities	52,461,061	49,534,344
Surviving Spouse Annuities	2,235,684	1,547,905
Terminated Vested Annuities	<u>837,035</u>	<u>192,333</u>
Total Annuities	59,834,880	55,566,862
Total Accrued Liability	100,105,600	99,202,675
Actuarial Value of Assets	<u>67,425,315</u>	<u>63,569,911</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>32,680,285</u>	\$ <u>35,632,764</u>
Percent Funded	67.4%	64.1%



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. The 100% amortization amount is equal to the amount to amortize the unfunded accrued liability as a level percentage of payroll over a thirty (30) year period which commenced in 2009.

	For Year Ending December 31	
	<u>2018</u>	<u>2017</u>
Village Normal Cost as of Beginning of Year	\$ 527,916	\$ 777,983
Amortization of Unfunded Accrued Liability/(Surplus)	2,126,817	2,006,313
Interest for One Year	<u>185,831</u>	<u>194,901</u>
Tax Levy Requirement as of End of Year	\$ <u>2,840,564</u>	\$ <u>2,979,197</u>
 Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	1,109,399	1,313,968
2) Accrued Liability (PUC)	96,769,750	96,404,457
3) Amortization Payment	1,203,321	1,220,728
4) Interest for One Year	161,890	177,429
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	\$ 2,474,610	2,712,125

TAX LEVY REQUIREMENT For Fiscal Year Ending December 31, 2018



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	<u>2018</u>	<u>2018</u>	<u>2017</u>	<u>2017</u>
Current Employees				
Vested	50		54	
Nonvested	<u>16</u>		<u>15</u>	
Total	<u>66</u>		<u>69</u>	
Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	0 \$	0	0 \$	0
Disabled Employees	5	256,494	5	248,287
Retired Employees	55	3,851,860	54	3,620,463
Surviving Spouses	5	238,994	4	170,659
Terminated Vesteds	<u>2</u>	<u>75,038</u>	<u>1</u>	<u>25,578</u>
Total	<u>67</u>	<u>4,422,386</u>	<u>64</u>	<u>4,064,987</u>
Annual Payroll	\$	6,423,894	\$	6,589,512

SUMMARY OF PLAN PARTICIPANTS (Continued)

Age and Service Distribution

Service Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Salary
20-24									
25-29	10							10	73,301
30-34	3	3	1					7	89,300
35-39		3	5	3				11	97,986
40-44		1	2	6				9	102,476
45-49			2	4	10	3		19	102,829
50-54				1	1	6	1	9	112,550
55-59						1		1	98,944
60+									
Total	<u>13</u>	<u>7</u>	<u>10</u>	<u>14</u>	<u>11</u>	<u>10</u>	<u>1</u>	<u>66</u>	<u>97,332</u>
Salary	74,279	97,758	98,342	100,894	109,685	107,724	94,248		

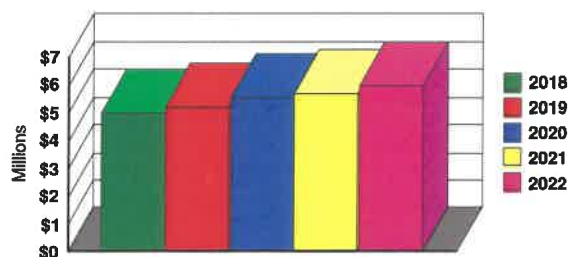
Average Age: 40.7 Average Service: 14.9 Average Future Service: 10.2

DURATION (years) Active Members: 19.5 Retired Members: 10.6 All Members: 14.2

PROJECTED PENSION PAYMENTS

<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
\$5,040,103	\$5,265,125	\$5,551,860	\$5,697,473	\$5,966,150

**PROJECTED PENSION PAYMENTS
2018-2022**



SUMMARY OF PLAN PROVISIONS

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

The Village of Lombard 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. 67 & 68 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. Unless specifically noted otherwise, each economic and demographic assumption was selected in accordance with Actuarial Standards of Practice 27 and 35 and may reflect the views and advice of advisors to the Principal. 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	January 1, 2018
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.00% net of investment expenses. The investment return assumption reflects the advice of the Fund's investment advisors, and past experience and future expectations were considered.
Salary Scale & Payroll Growth	GRS 2017 Experience Study (3.50%-11.00%; Payroll Growth 3.50%)
Mortality	RP 2014 Mortality Table (BCHA) projected to 2018 using improvement scale MP-2017.
Withdrawal	GRS 2017 Experience Study
Disability	GRS 2017 Experience Study
Retirement	GRS 2017 Experience Study (100% by age 70)
Marital Status	80% Married, Female spouses 3 years younger

ACTUARIAL ASSUMPTIONS (*Continued*)

Sample Annual Rates Per 100 Participants

<u>Age</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement (T1/T2)</u>
20	10.40	0.00	
25	10.40	0.03	
30	5.60	0.14	
35	3.10	0.26	
40	1.90	0.42	
45	1.50	0.59	
50	1.50	0.71	15.00/5.00
55		0.90	25.00/40.00
60		1.15	25.00
65			40.00
70			100.00

STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION

Plan Membership	December 31, 2017
Inactive plan members or beneficiaries currently receiving benefits	65
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>66</u>
Total	<u>133</u>

Net Pension Liability of the Village	
Total pension liability	100,105,600
Plan fiduciary net position	67,489,844
Village's net pension liability	32,615,756
Plan fiduciary net position as a percentage of the total pension liability	67.42%

Actuarial Assumptions	
Inflation	2.50%
Salary increases	3.50%-11.00%
Investment rate of return	7.00% net of expenses

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	45,876,500	32,615,756	21,671,435

STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of Changes in the Village's Net Pension Liability and Related Ratios

Total Pension Liability	December 31, 2017
Service cost	1,531,174
Interest	6,796,829
Changes of benefit terms	0
Differences between expected and actual experience	(659,841)
Changes of assumptions	(2,555,004)
Benefit payments, including refunds of member contributions	4,210,233
Net change in total pension liability	902,925
Total pension liability - beginning	99,202,675
Total pension liability - ending	100,105,600
 Plan Fiduciary Net Position	
Contributions - employer	3,080,822
Contributions - member	699,450
Net investment income	6,681,874
Benefit payments, including refunds of member contributions	4,210,233
Administrative expense	65,957
Other	0
Net change in plan fiduciary net position	6,185,956
Plan fiduciary net position - beginning	61,303,888
Plan fiduciary net position - ending	67,489,844
 Village's net pension liability	32,615,756
 Plan fiduciary net position as a percentage of the total pension liability	67.42%
 Covered-employee payroll	6,423,894
 Village's net pension liability as a percentage of covered-employee payroll	507.73%

STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of Village Contributions

	<u>December 31, 2017</u>
Actuarially determined contribution	3,038,332
Contributions in relation to the actuarially determined contribution	3,080,822
Contribution deficiency (Excess)	(42,490)
Covered-employee payroll	6,423,894
Contributions as a percentage of covered-employee payroll	47.96%

Notes to schedule

Valuation date December 31, 2017

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Remaining amortization period	21 years
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	3.50%-11.00%
Investment rate of return	7.00%
Retirement age	50-70
Mortality	RP 2014 projected to 2018
Other	

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2018 using improvement scale MP-2017. The other non-economic actuarial assumptions used in the December 31, 2017 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance (GRS) in 2017.