

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)
 Other Business (Pink)

TO : PRESIDENT AND BOARD OF TRUSTEES

FROM: Scott R. Niehaus, Village Manager

DATE : October 19, 2017 **B of T** November 2, 2017

SUBJECT: Fire Pension Fund Municipal Compliance Report

SUBMITTED BY: Terry Davis, Secretary, Lombard Firefighters’ Pension Fund

BACKGROUND/POLICY IMPLICATIONS:

Attached is the Lombard Fire Pension Fund’s Municipal Compliance Report for the year ended December 31, 2016. The Village of Lombard utilizes an actuarial service to assist in determining the Fire Pension tax levy for the year for which the report is made.

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

Fiscal Impact/Funding Source:

Review (as necessary):

Finance Director _____ Date _____
 Village Manager _____ Date _____

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.



October 19, 2017

Members of the Pension Board of Trustees
Lombard Fire Pension Fund
Lombard, IL

Enclosed please find a copy of your Municipal Compliance Report for the Lombard Fire Pension Fund for the year ended December 31, 2016. 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 House Bill 5088 - 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.

Please do not hesitate to contact me at (630) 393-1483 should you have any questions.

Respectfully submitted,

Lauterbach & Amen, LLP

Lauterbach & Amen, LLP

VILLAGE OF LOMBARD, ILLINOIS
FIREFIGHTERS' PENSION FUND

HOUSE BILL 5088 - MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2016

**VILLAGE OF LOMBARD, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2016**

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 of the fund and their current market value of those assets:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Cash and Investments	<u>\$54,595,825</u>	<u>\$52,185,361</u>
Total Net Position	<u>\$54,554,946</u>	<u>\$52,150,567</u>

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

Estimated Receipts - Employee Contributions	<u>\$606,600</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$3,821,700</u>
Municipal Contributions	<u>\$2,232,003</u>

- 3) The estimated amount necessary during the fiscal year to meet the annual actuarial requirements of the pension fund as provided in Sections 4-118 and 4-120:

Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance	<u>\$1,971,425</u>
Private Actuary - Timothy W. Sharpe, Actuary	
Recommended Municipal Contribution	<u>\$2,232,003</u>
Statutory Municipal Contribution	<u>\$1,893,022</u>

**VILLAGE OF LOMBARD, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2016**

- 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:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Net Income Received from Investment of Assets	<u>\$2,827,909</u>	<u>\$25,474</u>
Assumed Investment Return		
Illinois Department of Insurance	<u>6.75%</u>	<u>6.75%</u>
Private Actuary - Timothy W. Sharpe, Actuary	<u>7.00%</u>	<u>7.00%</u>
Actual Investment Return	<u>5.44%</u>	<u>0.05%</u>

- 5) The increase in employer pension contributions that results from the implementation of the provisions of P.A. 93-0689:

Illinois Department of Insurance	<u>N/A</u>
Private Actuary - Timothy W. Sharpe, Actuary	<u>\$111,600</u>

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

Number of Active Members	<u>65</u>
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- 7) 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:

	<u>Number of</u>	<u>Total Amount Disbursed</u>
(i) Regular Retirement Pension	<u>30</u>	<u>\$2,156,428</u>
(ii) Disability Pension	<u>11</u>	<u>\$686,654</u>
(iii) Survivors and Child Benefits	<u>4</u>	<u>\$148,439</u>
Totals	<u>45</u>	<u>\$2,991,520</u>

**VILLAGE OF LOMBARD, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2016**

8) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	<u>76.14%</u>	<u>78.15%</u>
Private Actuary - Timothy W. Sharpe, Actuary	<u>73.72%</u>	<u>72.47%</u>

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

Unfunded Liability:

Illinois Department of Insurance	<u>\$17,920,807</u>
Private Actuary - Timothy W. Sharpe, Actuary	<u>\$20,442,824</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.

10) 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 FIREFIGHTERS'
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 §4-134 of the Illinois Pension Code 40 ILCS 5/4-134, that the preceding report is true and accurate.

Adopted this 17th day of October, 2017

President  Date 10/17/17

Secretary  Date 10/17/17

**VILLAGE OF LOMBARD, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2016**

INDEX OF ASSUMPTIONS

- 1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended December 31, 2016 and 2015.

Total Net Position - as Reported at Market Value in the Audited Financial Statements for the Years Ended December 31, 2016 and 2015.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended December 31, 2016 plus 4.75% 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, 2016, 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, 2016.

- 3) Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance - Suggested Amount of Tax Levy as Reported in the December 31, 2016 Actuarial Valuation.

Private Actuary - Timothy W. Sharpe, Actuary

Recommended Amount of Tax Levy as Reported by Timothy W. Sharpe, Actuary in the December 31, 2016 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Timothy W. Sharpe, Actuary in the December 31, 2016 Actuarial Valuation.

**VILLAGE OF LOMBARD, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2016**

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, 2016 and 2015.

Assumed Investment Return

Illinois Department of Insurance - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the December 31, 2016 and 2015 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Timothy W. Sharpe, Actuary, December 31, 2016 and 2015 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 Fiscal Year Cash and Investments and Ending Balance of the Fiscal Year Cash and Investments, excluding the fiscal year net investment income, as Reported in the Audited Financial Statements for the Fiscal Years Ended December 31, 2016, 2015 and 2014.

- 5) Illinois Department of Insurance - Amount of total suggested tax levy to be excluded from the property tax extension limitation law as contemplated by 35 ILCS 200/18-185.

Private Actuary - Timothy W. Sharpe, Actuary Suggested Amount of total tax levy to be excluded from the property tax extension limitation law as contemplated by 35 ILCS 200/18-185.

- 6) Number of Active Members - Illinois Department of Insurance Annual Statement for December 31, 2016 - Schedule P.

(i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for December 31, 2016 - 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.

**VILLAGE OF LOMBARD, ILLINOIS
FIREFIGHTERS' PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2016**

INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the December 31, 2016 and 2015 Actuarial Valuations.

Private Actuary - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the Timothy W. Sharpe, Actuary, December 31, 2016 and December 31, 2015 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) as Reported in the December 31, 2016 Actuarial Valuation.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Timothy W. Sharpe, Actuary in the December 31, 2016 Actuarial Valuation.



VILLAGE OF LOMBARD
LOMBARD FIREFIGHTERS PENSION FUND

Actuarial Valuation Report
For the Year
Beginning January 1, 2017
And Ending December 31, 2017

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

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INTRODUCTION

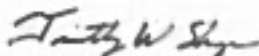
Fire-sworn personnel of the Village of Lombard are covered by the Firefighters Pension Plan that is a defined-benefit, single-employer pension plan. The purpose of this report is to provide to the Intended Users of this report, specifically the Intended Users are the Village Officials, the Pension Board 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 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. 17-4384

5/11/2017

Date

SUMMARY OF RESULTS

There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates. The mortality rates have been changed to the RP 2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016 (previously improvement scale MP-2015).

As announced in the Mortality Improvement Scale MP-2015 Report, the Retirement Plans Experience Committee of the Society of Actuaries (RPEC) intends to publish annual updates to the RPEC_2014 model and corresponding mortality improvement scales. The resulting 2016 version of the model presented in this report reflects three additional years of historical U.S. Population mortality data (for 2012, 2013 and 2014) and modification of two input values designed to improve the model's year-over-year stability. Scale MP-2016 is based on this 2016 version of the RPEC_2014 model along with the committee-selected assumption set for 2016. For the ten years ending in 2009 the average annual age-adjusted mortality improvement rates in the United States for those between ages 50 and 95 were 1.93% for males and 1.46% for females. The corresponding averages for the five-year period ended in 2014 were 0.60% and 0.42%, respectively. As a result of this pattern, the Scale MP-2016 rates presented in this report are generally lower than Scale MP-2015 rates, which were lower than Scale MP-2014 rates.

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 (5 new members, 0 terminations, 2 retirements, 0 incidents of disability, annual payroll increase 11.0%, average salary increase 8.2%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annualized investment return 5.44%).

The Village's Tax Levy Requirement has increased slightly from \$2,190,707 last year to \$2,232,003 this year (1.9%). The slight increase in the Tax Levy is due to the increase in salaries and was offset due to the changes to the assumptions. The Percent Funded has increased from 72.5% last year to 73.7% this year.

The amount of the Village Tax Levy due to PA 93-0689 is \$111,600.

SUMMARY OF RESULTS (Continued)

	For Year Ending December 31	
	<u>2017</u>	<u>2016</u>
Tax Levy Requirement	\$ 2,232,003	\$ 2,190,707
Tax Levy as a Percentage of Payroll	35.11%	38.27%
	as of January 1	
	<u>2017</u>	<u>2016</u>
Village Normal Cost	934,945	918,962
Anticipated Employee Contributions	601,097	541,301
Accrued Liability	77,782,977	75,377,638
Actuarial Value of Assets	57,340,153	54,629,391
Unfunded Accrued Liability/(Surplus)	20,442,824	20,748,247
Amortization of Unfunded Accrued Liability/(Surplus)	1,151,039	1,128,428
Percent Funded	73.7%	72.5%
Annual Payroll	\$ 6,357,452	\$ 5,725,023



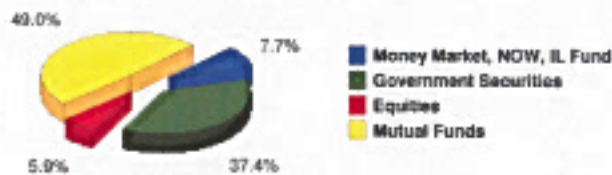
ACTUARIAL VALUATION OF ASSETS

	as of January 1	
	<u>2017</u>	<u>2016</u>
Money Market, NOW, IL Fund	\$ 4,202,422	\$ 4,076,407
Government Securities	20,266,797	22,225,017
Equities	3,224,617	2,891,762
Mutual Funds	26,555,727	22,749,217
Interest Receivable	346,261	242,958
Miscellaneous Receivable/(Payable)	<u>(40,879)</u>	<u>(34,794)</u>
Market Value of Assets	<u>54,554,946</u>	<u>52,150,567</u>
Actuarial Value of Assets	\$ 57,340,153	\$ 54,629,391

FYE 2013-2016 (Gain)/Loss: (\$1,934,136); \$864,046; \$3,633,616; \$807,807

SUMMARY OF ASSETS

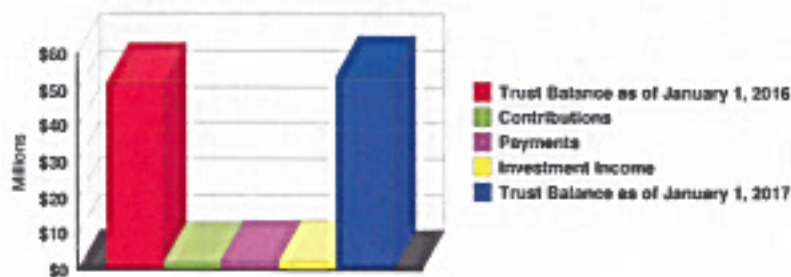
As Of January 1, 2017



ASSET CHANGES DURING PRIOR YEAR

Trust Balance as of January 1, 2016		\$	52,150,567
Contributions			
Village	2,034,905		
Employee	<u>583,560</u>		
Total			2,618,465
Payments			
Benefit Payments	2,991,520		
Expenses	<u>50,475</u>		
Total			3,041,995
Investment Income			<u>2,827,909</u>
Trust Balance as of January 1, 2017		\$	<u>54,554,946</u>
Approximate Annual Rate of Return)			5.44%

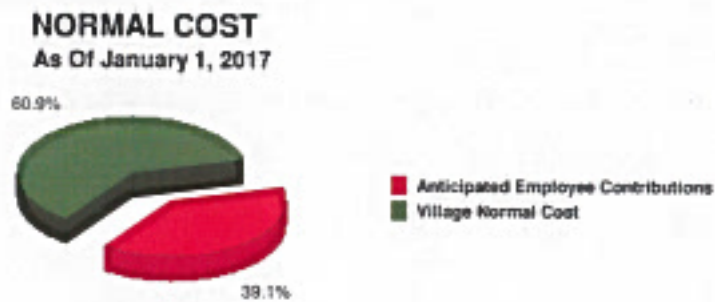
ASSET CHANGES DURING PRIOR YEAR



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>2017</u>	<u>2016</u>
Total Normal Cost	\$ 1,536,042	\$ 1,460,263
Anticipated Employee Contributions	<u>601,097</u>	<u>541,301</u>
Village Normal Cost	<u>934,945</u>	<u>918,962</u>
Normal Cost Payroll	\$ 6,357,452	\$ 5,725,023
Village Normal Cost Rate	14.71%	16.05%
Total Normal Cost Rate	24.16%	25.51%

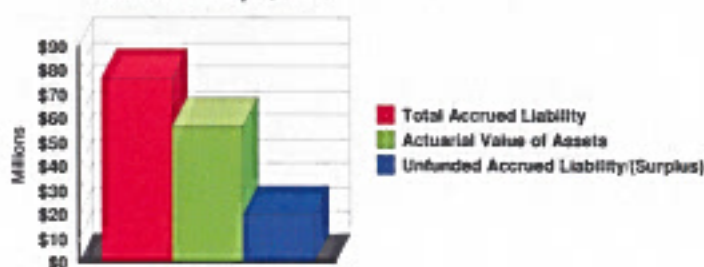


ACCRUED LIABILITY

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>2017</u>	<u>2016</u>
Active Employees	\$ 30,906,112	\$ 30,049,679
Children Annuities	1,369	1,592
Disability Annuities	10,373,684	10,666,980
Retirement Annuities	34,046,298	31,958,564
Surviving Spouse Annuities	1,530,974	1,579,430
Terminated Vested Annuities	<u>924,540</u>	<u>1,121,393</u>
Total Annuities	46,876,865	45,327,959
Total Accrued Liability	77,782,977	75,377,638
Actuarial Value of Assets	<u>57,340,153</u>	<u>54,629,391</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>20,442,824</u>	\$ <u>20,748,247</u>
Percent Funded	73.7%	72.5%

ACCRUED LIABILITY As Of January 1, 2017



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 forty (30) year period which commenced in 2009.

	For Year Ending December 31	
	<u>2017</u>	<u>2016</u>
Village Normal Cost as of Beginning of Year	\$ 934,945	\$ 918,962
Amortization of Unfunded Accrued Liability/(Surplus)	1,151,039	1,128,428
Interest for One Year	<u>146,019</u>	<u>143,317</u>
Tax Levy Requirement as of End of Year	\$ <u>2,232,003</u>	\$ <u>2,190,707</u>
Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	1,215,186	1,186,676
2) Accrued Liability (PUC)	75,406,828	72,840,697
3) Amortization Payment	553,993	476,186
4) Interest for One Year	123,843	116,400
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	\$ 1,893,022	1,779,262

TAX LEVY REQUIREMENT

For Fiscal Year Ending December 31, 2017



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>2017</u>	<u>2017</u>	<u>2016</u>	<u>2016</u>
Current Employees				
Vested	37		31	
Nonvested	<u>28</u>		<u>31</u>	
Total	<u>65</u>		<u>62</u>	
Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	1 \$	323	1 \$	323
Disabled Employees	11	686,654	11	679,063
Retired Employees	30	2,229,604	28	2,011,683
Surviving Spouses	4	148,116	4	148,116
Terminated Vesteds	<u>2</u>	<u>55,204</u>	<u>2</u>	<u>55,204</u>
Total	<u>48</u>	<u>3,119,901</u>	<u>46</u>	<u>2,894,389</u>
Annual Payroll	\$	6,357,452	\$	5,725,023

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	1							1	67,695
25-29	5							5	75,077
30-34	4	6	2					12	90,297
35-39	5	5	5	1				16	95,898
40-44		1	4					5	95,082
45-49			1	6	4	1		12	106,424
50-54			2	1		5		8	109,722
55-59	1			1		3		5	110,232
60+				1				1	114,999
Total	<u>16</u>	<u>12</u>	<u>14</u>	<u>10</u>	<u>4</u>	<u>9</u>	<u>0</u>	<u>65</u>	<u>97,807</u>
Salary	82,461	95,083	102,056	102,666	101,844	114,916			

Average Age: 41.0 Average Service: 11.7 Average Future Service: 11.7

DURATION (years) Active Members: 18.3 Retired Members: 11.3 All Members: 14.1

PROJECTED PENSION PAYMENTS

<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>
\$3,757,795	\$3,929,509	\$4,199,582	\$4,308,733	\$4,598,959

PROJECTED PENSION PAYMENTS
2017-2021



SUMMARY OF PLAN PROVISIONS

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

The Village of Lombard Firefighters Pension Fund was created and is administered as prescribed by "Article 4. Firefighters' 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 one-half of the salary attached to the rank held on the last day of service. The pension shall be increased by (1/12) of (2.5%) of such monthly salary for each additional month of service over (20) years up to (30) years, to a maximum of (75%) of such monthly salary.

Employees with at least (10) years but less than (20) years of credited service may retire at or after age (60) and receive a reduced benefit ranging from (15%) of final salary for (10) years of service to (45.6%) for 19 years of service.

Surviving spouses receive (100%) of final salary for fatalities resulting from an act of duty, or otherwise the greater of (54%) of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive (12%) of final salary. The maximum family survivor benefit is (75%) of final salary.

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 amount of the pension payable at the time of the increase.

Employees are required to contribute (9.455%) of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than twenty (20) years of service, accumulated employee contributions may be refunded without accumulated interest.

For Employees hired after January 1, 2011, the annual retirement benefit is (2.5%) of final average salary for each year of service up to (30) years, to a maximum of (75%) of such salary, 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 greater of a) the sum of the Normal Costs for all active participants, and b) 17.5% of the total payroll of 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, 2017
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.00% net of investment expenses.
Salary Scale	4.75%
Mortality	RP 2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016.
Withdrawal	Based on studies of the Fund and the Department of Insurance, Sample Rates below
Disability	Based on studies of the Fund and the Department of Insurance, Sample Rates below
Retirement	Based on studies of the Fund and the Department of Insurance, Sample Rates below (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</u>
20	9.00	0.10	
25	5.00	0.10	
30	2.50	0.20	
35	2.00	0.35	
40	1.00	0.50	
45	1.00	0.65	
50	1.00	1.00	14.00
55	1.00	1.50	20.00
60	1.00	3.00	25.00
65	1.00	4.25	50.00
70			100.00

STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION

Plan Membership	December 31, 2016
Inactive plan members or beneficiaries currently receiving benefits	46
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	<u>65</u>
Total	<u>113</u>

Net Pension Liability of the Village	
Total pension liability	77,782,977
Plan fiduciary net position	54,554,946
Village's net pension liability	23,228,031
Plan fiduciary net position as a percentage of the total pension liability	70.14%

Actuarial Assumptions	
Inflation	2.50%
Salary increases	4.75%
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	33,454,510	23,228,031	14,741,722

STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

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

	December 31, 2016
Total Pension Liability	
Service cost	1,562,481
Interest	5,171,731
Changes of benefit terms	0
Differences between expected and actual experience	1,174,979
Changes of assumptions	(2,512,332)
Benefit payments, including refunds of member contributions	2,991,520
Net change in total pension liability	2,405,339
Total pension liability - beginning	75,377,638
Total pension liability - ending	77,782,977
 Plan Fiduciary Net Position	
Contributions - employer	2,034,905
Contributions - member	583,560
Net investment income	2,827,909
Benefit payments, including refunds of member contributions	2,991,520
Administrative expense	50,475
Other	0
Net change in plan fiduciary net position	2,404,379
Plan fiduciary net position - beginning	52,150,567
Plan fiduciary net position - ending	54,554,946
 Village's net pension liability	 23,228,031
 Plan fiduciary net position as a percentage of the total pension liability	 70.14%
 Covered-employee payroll	 6,357,452
 Village's net pension liability as a percentage of covered-employee payroll	 365.37%

STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of Village Contributions

	<u>December 31, 2016</u>
Actuarially determined contribution	2,035,216
Contributions in relation to the actuarially determined contribution	2,034,905
Contribution deficiency (Excess)	311
Covered-employee payroll	6,357,452
Contributions as a percentage of covered-employee payroll	32.01%

Notes to schedule

Valuation date	December 31, 2016
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Remaining amortization period	22 years
Asset valuation method	Market Value
Inflation	2.50%
Salary increases	4.75%
Investment rate of return	7.00%
Retirement age	50-70
Mortality	RP 2014 projected to 2017
Other	

Mortality rates were based on the RP 2014 Mortality Table (BCHA) projected to 2017 using improvement scale MP-2016. The other non-economic actuarial assumptions used in the December 31, 2016 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.