



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: Acting Village Manager – Timothy Sexton

FROM: Benny Ranallo, Secretary-Lombard Police Pension Fund

DATE: October 22, 2013

SUBJECT: **House Bill 5088 (Public Act 95-950) Municipal Compliance Report for the Year Ended December 31, 2012**

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)

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.

Attached is the Lombard Police Pension Fund's Municipal Compliance Report for the Year Ended December 31, 2012. 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 21, 2013 Village Board Agenda item providing for the levy and assessment of taxes for the fiscal year beginning January 1, 2014 and ending December 31, 2014 for the Village of Lombard. The Lombard Police Pension fund respectfully requests a tax levy in the amount of \$2,626,542.



Benny Ranallo

Secretary

LOMBARD POLICE PENSION BOARD

VILLAGE OF LOMBARD, ILLINOIS
POLICE PENSION FUND

HOUSE BILL 5088 - MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2012

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

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2012**

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

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Assets	<u>\$ 49,212,759</u>	<u>\$ 46,018,421</u>
Market Value	<u>\$ 49,212,759</u>	<u>\$ 46,018,421</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>\$ 633,900</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$ 3,444,900</u>
Municipal Contributions	<u>\$ 2,626,542</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>\$ 2,316,400</u>
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	<u>\$ 2,312,431</u>
Private Actuary- Timothy W. Sharpe, Actuary	
Recommended Municipal Contribution	<u>\$ 2,626,542</u>
Statutory Municipal Contribution	<u>\$ 1,978,524</u>

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

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2012**

- 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	\$ 2,640,634	\$ 682,341
Assumed Investment Return		
Illinois Department of Insurance	6.75%	N/A
Private Actuary- Timothy W. Sharpe, Actuary	7.00%	7.00%
Actual Investment Return	5.55%	1.49%

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

Number of Active Members	<u>67</u>
--------------------------	-----------

- 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:

	<u>Number of</u>	<u>Total Amount Disbursed</u>
(i) Regular Retirement Pension	49	\$ 1,662,423
(ii) Disability Pension	4	\$ 100,446
(iii) Survivors and Child Benefits	3	\$ 68,625
Totals	56	\$ 1,831,494

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

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2012**

7) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	<u>62.89%</u>	<u>N/A</u>
Private Actuary- Timothy W. Sharpe, Actuary	<u>66.38%</u>	<u>66.70%</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>\$ 28,746,597</u>
Private Actuary- Timothy W. Sharpe, Actuary	<u>\$ 25,251,261</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.

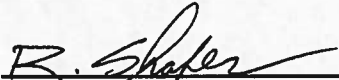

Investment Policy - See Attached.

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 21ST day of OCT., 2013

President	<u></u>	Date	<u>10-21-13</u>
Secretary	<u></u>	Date	<u>10-21-13</u>

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

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2012**

INDEX OF ASSUMPTIONS

- 1) Total Assets - as Reported in the Audited Financial Statements for the Years Ended December 31, 2012 and May 31, 2012.

Market Value - Same as Above.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended December 31, 2012 plus 4.75% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest \$100.

Estimated Receipts - All Other Sources

Investment Earnings - Cash and Equivalents and Investments as Reported in the Audited Financial Statements for the Year Ended December 31, 2012, 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, 2012.

- 3) (a) Pay all Pensions and Other Obligations - Total Deductions as Reported in the Audited Financial Statements for the Year Ended December 31, 2012, 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, 2012 Actuarial Valuation.

Private Actuary

Recommended Amount of Tax Levy as Reported by Timothy W. Sharpe, Actuary in the December 31, 2012 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Timothy W. Sharpe, Actuary in the December 31, 2012 Actuarial Valuation.

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

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2012**

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, 2012 and May 31, 2012.

Assumed Investment Return

Illinois Department of Insurance - Current Fiscal Year Interest Rate Assumption as Reported in the December 31, 2012 Actuarial Valuation. No May 31, 2012 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Timothy W. Sharpe, Actuary, December 31, 2012 and May 31, 2012 Actuarial Valuations.

Actual Investment Return - Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning and End of Year Cash and Cash Equivalents and Investments as Reported in the Audited Financial Statements for the Fiscal Years Ended December 31, 2012, May 31, 2012 and 2011.

- 5) Number of Active Members - Illinois Department of Insurance Annual Statement for December 31, 2012 - Schedule P.
- 6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for December 31, 2012 - 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
POLICE PENSION FUND**

**House Bill 5088 (Public Act 95-950) - Municipal Compliance Report
For the Fiscal Year Ending December 31, 2012**

INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Current Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the December 31, 2012 Actuarial Valuation. No May 31, 2012 Actuarial Valuation available at the time of this report.

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, 2012 and May 31, 2012 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) as Reported in the December 31, 2012 Actuarial Valuation.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Timothy W. Sharpe, Actuary in the December 31, 2012 Actuarial Valuation.