

# Romeoville Police Pension Fund

## House Bill 5088 (Public Act 95-950) - Municipal Compliance Report

### For the Fiscal Year Ending April 30, 2016

**To the Village Board of the Village of Romeoville:**

Pursuant to Section 4-134 of the Illinois Pension Code (40 ILCS 5/4-134), the Board of Trustees of the Romeoville Police Pension Fund (the "Fund") hereby presents its report of the condition of the Fund at the end of its most recently completed fiscal year as follows:

**1)** Total Assets held by the Fund at the end of the fiscal year: \$ 34,381,353

Current market value of the Fund's total assets: \$ 36,368,951

**2)** Estimated receipts during the next succeeding fiscal year from deductions from the salaries or wages of police officers and all other sources: **\$3,941,000**

Estimated Receipts - -Employees Contributions	\$ 600,000
Estimated Receipts - Investment Earnings	\$ 1,350,000
Estimated Receipts - Municipal Contributions	<u>\$ 1,991,000</u>
<b>Total Estimated Receipts</b>	<u><b>\$ 3,941,000</b></u>

**3)** Estimated amounts necessary during the next fiscal year to meet the annual actuarial requirements of the Fund as provided in Sections 4-118 and 4-120 (40 ILCS 5/4-118 and 4-120) as determined by the:

Illinois Department of Insurance - Actuary Report	<u>\$ 1,819,775</u>
Private Actuary - New State Assumptions for Required Contribution.	<u>\$ 1,622,745</u>
Private Actuary - Village Levy (GAAP - 26 Year Amortization Recommended Levy)	<u>\$ 1,855,887</u>

4) 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 Ended <u>4/30/2016</u>	Previous Fiscal Year Ended <u>4/30/2015</u>
Net Income Received from Investment of Assets	\$ <u>(480,028)</u>	\$ <u>2,651,199</u>
Assumed investment return as determined by the Illinois Department of Insurance - Actuarial Report:	<u>6.75%</u>	<u>6.75%</u>
Assumed investment return as determined by Private Actuary	<u>7.00%</u>	<u>7.00%</u>
Actual Investment Return	<u>-1.40%</u>	<u>7.42%</u>

5) The increase in employer pension contributions resulting from implementation of P.A. 93-0689 as determined by: the Illinois Department of Insurance:

Illinois Department of Insurance - Actuary Report	<u>N/A</u>
Private Actuary	<u>N/A</u>

6) Total Number of active employees who are financially contributing to the Fund:

Number of Active Members	<u>63</u>
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7) Total amount of benefits distributed by Fund during the fiscal year:

	<u>Number of Recipients</u>	<u>Benefits Distributed</u>
i. Retirement Pensions	18	1,265,896
ii. Disability Pensions	3	177,866
iii. Survivor and Children Pensions	<u>8</u>	<u>321,352</u>
Total	<u>29</u>	\$ <u>1,765,114</u>

**8) Funded Ratio of the Fund as determined by the Illinois Department of Insurance.**

	Current Fiscal Year Ended <u>4/30/2016</u>	Previous Fiscal Year Ended <u>4/30/2015</u>
Illinois Department of Insurance - Actuarial Report	<u>68.00%</u>	<u>68.00%</u>
Private Actuary (Actuarial Value Assets)	<u>64.30%</u>	<u>61.30%</u>
Private Actuary (Market Value Assets)	<u>61.50%</u>	<u>63.00%</u>

**9) Unfunded liability of the Fund as determined by the:**

Illinois Department of Insurance - Actuary Report	<u>\$ 17,144,784</u>	<u>\$ 15,411,033</u>
Private Actuary (GAAP/GASB Methodology)	<u>\$ 19,920,753</u>	<u>\$ 21,130,232</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 accrued liability less the actuarial value of the assets.

**10)** A copy of the Fund's current investment policy is attached to this report for informational purposes.

A copy of the most recent actuarial report prepared by Nyhart at the direction of the Romeoville Police Pension Fund is attached to this report for informational purposes. The most recent actuarial report from the Illinois Department of Insurance (IDOI) pursuant to State of Illinois law is attached to this report for informational purposes. .

These certifications are made by the Board of Trustees this \_\_\_\_\_ day of \_\_\_\_\_, 2016

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President, Board of Trustees - Romeoville Police Pension Fund

**Attest:**

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Secretary, Board of Trustees Romeoville Police Pension Fund

## *Romeoville Police Pension Fund*

### *Investment Policy*

#### I. PURPOSE

The purpose of pension monies is the responsibility of the members of the pension board. These responsibilities have become more difficult and complex due to the deregulation of the banking industry, the emergence of the new investment vehicles, and the growth of the amount of pension funds available for investment.

The purpose of this investment policy is to indicate a conscious formal effort by the pension board to develop, implement, and monitor the investment of pension funds. It shall be considered an important means to communicate to the public the pension board's policy on the management of assets.

#### II. SCOPE

This investment policy applies to the Romeoville Police Pension Fund. This investment policy applies to all transactions involving the financial assets and related activity of the Romeoville Police Pension Fund.

#### III. OBJECTIVES

Safety of principal is the foremost objective of the Romeoville Police Pension Fund. Each investment transaction shall seek to first ensure that capital losses are avoided whether they are from securities defaults or erosion of market value. The pension board seeks to attain or exceed market rates of return on its investments consistent with constraints imposed by its safety objectives, cash flow considerations, and Illinois state laws that restrict the placement of public funds.

All participants in the investment process shall seek to act responsibly as custodians of pension funds. Investment officials shall avoid any transactions that might impair plan participant's confidence in the pension board's ability to manage the fund.

#### IV. PRUDENCE AND INDEMNIFICATION

Investments shall be made with judgment and care under circumstances then prevailing, which persons of prudence, discretion, and intelligence exercise in the management of their own affairs, not for speculation, but for investment, considering the primary objective of the attainment of market rates of return. The standard of prudence to be used by investment officials shall be that of a "Prudent Person" and shall be applied in the context of managing an overall portfolio. The members of the Romeoville Police Pension Fund and other employees acting in good faith, in accordance with written procedures, and exercising due diligence shall be relieved of personal responsibility for an individual's security credit risk or market price changes, provided that deviations from expectation are reported in a timely fashion and appropriate action is taken to control adverse developments.

#### V. ETHIC AND CONFLICTS OF INTEREST

The members of the Romeoville Police Pension Fund and all other parties involved in the investment process shall refrain from personal business activity that could conflict with proper execution of the investment program, or which could impair their ability to make impartial investment decisions.

## VI. INSTRUMENTS

As a unit of local government in the State of Illinois, the Romeoville Police Pension Fund is restricted by the Illinois Compiled Statutes, Chapter 108 ½, Article 3-135, "TO INVEST FUNDS", to the following types of securities:

- A. Interest bearing bonds or tax anticipation warrants of the United States of America, of the State of Illinois or any other county, township, or municipal corporation of the State of Illinois including:
  - Treasury Bills
  - Treasury Notes and Bonds
  - Government National Mortgage Association (GNMA)
  - Zero Coupon STRIP
  - Tax anticipation warrants
  - State of Illinois bonds
- B. Insured withdrawable capital accounts of State Chartered Savings and Loan Associations.
- C. Insured withdrawable capital accounts of State Chartered Savings and Loan Associations if the withdrawable capital accounts are insured by the Federal Deposit Insurance Corporation (FDIC).
- D. Insured investments in credit unions if the investments are insured by the National Credit Union Administration (NCUA)
- E. Savings accounts or certificates of deposits (CDs) of a national or state bank if the investments are insured by the Federal Deposit Insurance Corporation (FDIC).
- F. Contracts and agreements supplemental thereto providing for investments in the general account of a life insurance company authorized and licensed to do business in the State of Illinois.
- G. Separate accounts of a life insurance company authorized and licensed to do business in the State of Illinois, comprised of common or preferred stocks, bonds, or money market instruments and separate accounts managed by a life insurance company authorized and licensed to do business in the State of Illinois, comprised of real estate secured by first or second mortgages.
- H. Mutual funds that meet the following requirements:
  - a. The mutual fund must be managed by an investment company registered under the Federal Investment Company Act of 1940 and registered under the Illinois Securities Law of 1953
  - b. The mutual fund must have been in operation for at least 5 years.
  - c. The mutual fund must have total net assets of \$250,000,000 or more.
  - d. The mutual fund must be comprised of a diversified portfolio of common or preferred stocks, bonds, or money market instruments.

A pension fund's total investment in the items authorized under this Section and Section 1-113.3, shall not exceed the percentage defined by statute, of the market value of the pension fund's net present assets stated in its most recent annual report on file with the Department of Insurance.

I. Illinois Public Treasurer's Investment Pool.

VII. FINANCIAL INSTITUTIONS/BROKERS

It is the policy of the Romeoville Police Pension Fund to purchase savings accounts, certificates of deposit, and other time accounts from financial institutions. Financial institutions will be required to meet the following criteria in order to receive Romeoville Police Pension Fund monies for investment:

- A. Insurance; Public funds shall be deposited only in financial institutions insured by the Federal Deposit Insurance Corporation (FDIC) or the National Credit Union Administration (NCUA).
- B. Denominations- Certificates of Deposit in excess of FDIC insurance limited will require collateralization by the issuing financial institution.
- C. Size; The Romeoville Police Pension Fund will not select as a depository any financial institution in which the Pension's funds on deposit will, at the time the deposit is made, exceed 50% of the institution's capital stock and surplus.
- D. Disclosure; Upon completion, each financial institution shall furnish the pension board with a copy of all statements of resources and liabilities which it is required to furnish the Commissioner of Banks and Trust Companies or the Comptroller of Currency.

All other security purchases will be made from primary brokers reporting to the Federal Reserve Bank of New York or from local (Chicago Area) brokers meeting standards set forth by the Federal Reserve Bank.

VIII. CUSTODY OF ASSETS

Pursuant to Chapter 108 ½, Article 1-113 at Paragraph 16, all investments of the Romeoville Police Pension Fund shall be clearly held accounted for to indicate ownership by the pension board.

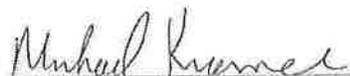
IX. AMENDMENT

This policy shall be reviewed from time to time and any changes shall be presented to the pension board for its approval.

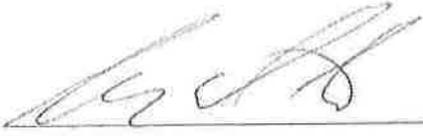
X. EFFECTIVE DATE

This policy was prepared under the authority of the Romeoville Police Pension Fund. The policy shall be effective immediately for all new investments.

APPROVED:  President

APPROVED:  Secretary

APPROVED:  Vice President

APPROVED:  Asst. Secretary

APPROVED: \_\_\_\_\_ Trustee

APPROVED: Mark Opuchowski Treasurer

DATE: 10 - 14 - 14

The logo for nyhart, featuring the word "nyhart" in a white, lowercase, sans-serif font centered within a black rectangular box. This box is part of a larger graphic element consisting of a thick black vertical bar on the left and a thin red vertical bar to its right, both extending from the top to the bottom of the page.

nyhart

***Village of Romeoville  
Police Pension Fund***

*May 1, 2016  
Actuarial Valuation Report*

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At the request of the plan sponsor, this report summarizes the Village of Romeoville Police Pension Fund as of May 1, 2016. The purpose of this report is to communicate the following results of the valuation:

- Funded Status;
- Recommended Village Contribution;

This report has been prepared in accordance with the applicable Federal and State laws. Consequently, it may not be appropriate for other purposes. Please contact Nyhart prior to disclosing this report to any other party or relying on its content for any purpose other than that explained above. Failure to do so may result in misrepresentation or misinterpretation of this report.

The results in this report were prepared using information provided to us by other parties. The census information has been provided to us by the employer. Asset information has been provided to us by the administrator. We have reviewed the provided data for reasonableness when compared to prior information provided, but have not audited the data. Where relevant data may be missing, we have made assumptions we believe to be reasonable. We are not aware of any significant issues with and have relied on the data provided. Any errors in the data provided may result in a different result than those provided in this report. A summary of the data used in the valuation is included in this report.

The actuarial assumptions and methods were chosen by the employer. In our opinion, all actuarial assumptions and methods are individually reasonable and in combination represent our best estimate of anticipated experience of the plan. Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following:

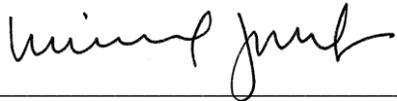
- plan experience differing from that anticipated by the economic or demographic assumptions;
- changes in economic or demographic assumptions;
- increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period);  
and
- changes in plan provisions or applicable law.

We did not perform an analysis of the potential range of future measurements due to the limited scope of our engagement. This report has been prepared in accordance with generally accepted actuarial principles and practice.

Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report. To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the purpose of avoiding penalties that may be imposed by law.

The undersigned are compliant with the continuing education requirements of the Qualification Standards for Actuaries Issuing Statements of Actuarial Opinion in the United States and are available for any questions.

Nyhart



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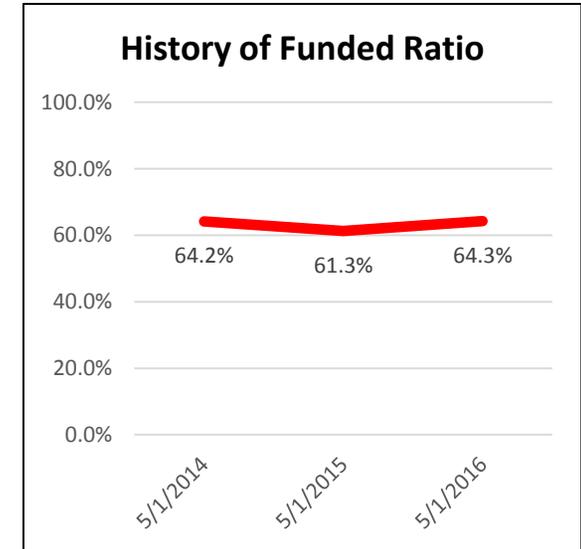
Michael Zurek, EA, FCA, MAAA

October 6, 2016  
Date

**Summary Results**

The actuarial valuation's primary purpose is to produce a scorecard measure displaying the funding progress of the plan toward the ultimate goal of paying benefits at retirement. The accrued liability is based on the entry age normal level percentage of pay actuarial cost method.

	May 1, 2015	May 1, 2016
<b>Funded Status Measures</b>		
Accrued Liability	\$54,569,105	\$55,878,226
Actuarial Value of Assets	33,438,873	35,957,473
Unfunded Accrued Liability	\$21,130,232	\$19,920,753
Funded Percentage (AVA)	61.3%	64.3%
Funded percentage (MVA)	63.0%	61.5%
<b>Cost Measures</b>		
Recommended Total Pension Contribution	\$2,580,826	\$2,449,665
Expected Employee Contributions	(551,719)	(593,778)
Recommended Net Village Contribution	\$1,990,487	\$1,855,887
- as a Percentage of Payroll	35.8%	32.1%
<b>Asset Performance</b>		
Market Value of Assets (MVA)	\$34,393,185	\$34,381,353
Actuarial Value of Assets (AVA)	\$33,438,873	\$35,957,473
Actuarial Value/Market Value	97.2%	104.6%
<b>Participant Information</b>		
Active Participants	62	62
Terminated Vested Participants	3	4
Retirees, Beneficiaries, and Disabled Participants	26	29
Total	91	95
Payroll	\$5,567,300	\$5,789,093



### Changes since Prior Valuation and Key Notes

There have been no changes to the plan provisions since the last valuation.

The mortality assumption was changed in 2016 from the RP-2000 mortality table with blue collar adjustment to the RP-2000 mortality table with blue collar adjustment projected to 2016 using scale AA. In addition, separate mortality tables for healthy and disabled members were used in 2016. The change resulted in an increase in benefit obligations and an increase in the recommended contribution.

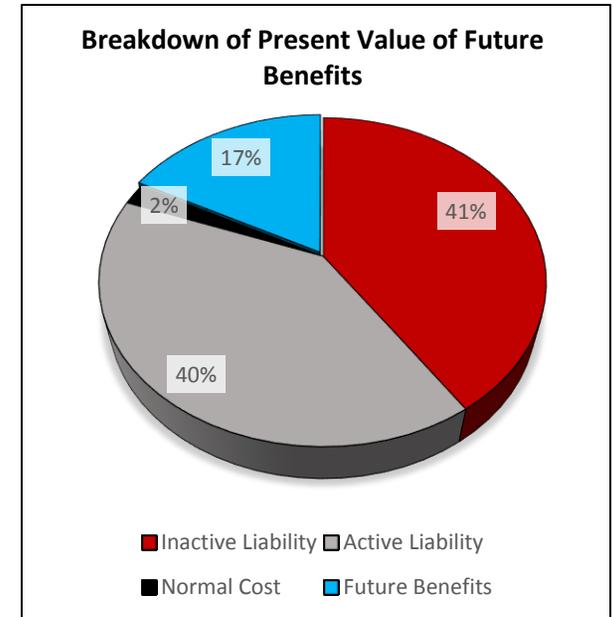
**Present Value of Future Benefits**

The Present Value of Future Benefits represents the future benefits payable to the existing participants.

May 1, 2016

**Present Value of Future Benefits**

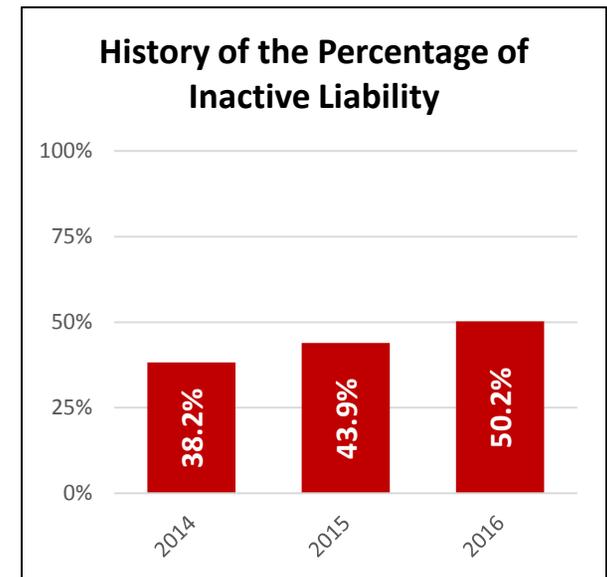
Active participants	
Retirement	\$35,139,527
Disability	3,416,790
Death	607,323
Termination	2,007,946
Total active	\$41,171,586
Inactive participants	
Retired participants	\$20,670,939
Beneficiaries	2,994,166
Disabled participants	3,158,399
Terminated vested participants	1,218,078
Total inactive	\$28,041,582
Total	\$69,213,168
Present value of future payrolls	\$60,903,608
Present value of future employee contributions	\$5,923,728



**Accrued Liability**

The Funding Liability measures the present value of benefits earned as of the valuation date, using a specified set of actuarial assumptions.

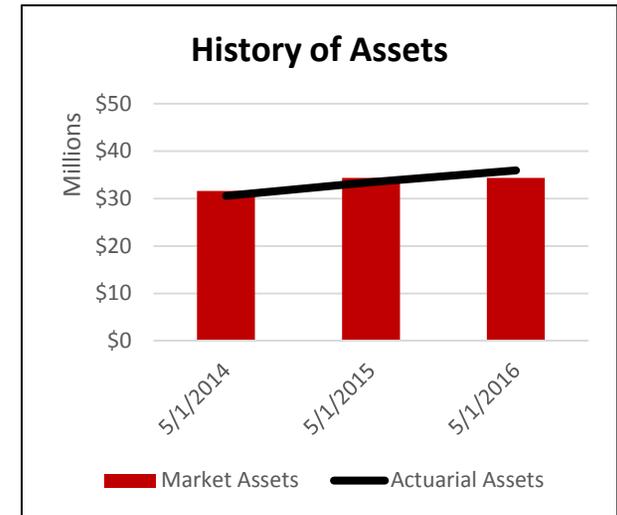
	May 1, 2016
<b>Funding Liabilities</b>	
Active participants	
Retirement	\$24,477,615
Disability	1,866,177
Death	297,593
Termination	1,195,259
Total Active	<u>\$27,836,644</u>
Inactive participants	
Retired participants	\$20,670,939
Beneficiaries	2,994,166
Disabled participants	3,158,399
Terminated vested participants	1,218,078
Total Inactive	<u>\$28,041,582</u>
Total	\$55,878,226
Normal Cost	\$1,411,858



**Asset Information**

The amount of assets backing the pension promise is the most significant driver of volatility and future costs within a pension plan. The investment performance of the assets directly offsets the ultimate cost.

	<b>May 1, 2016</b>
<b>Market Value Reconciliation</b>	
Market value of assets, beginning of prior year	\$34,393,185
Contributions	
Employer contributions	\$1,696,960
Member contributions	552,258
Total	\$2,249,218
Investment income	(480,027)
Benefit payments	(1,765,114)
Administrative expenses	(15,909)
Market value of assets, beginning of current year	\$34,381,353
Return on Market Value	(1.4%)
<b>Actuarial value of assets</b>	
Value at beginning of current year	\$35,957,473



**Asset Information (continued)**

Plan Assets are used to develop funded percentages and contribution requirements.

	<b>May 1, 2016</b>
1. Expected market value of assets	
(a) Market value of assets, beginning of prior year	\$34,393,185
(b) Contributions	2,249,218
(c) Benefit payments	(1,765,114)
(d) Expenses	(15,909)
(e) Expected return	2,423,910
(f) Expected market value of assets, beginning of current year	<u>\$37,285,290</u>
2. Market value of assets, beginning of current year	\$34,381,353
3. Actual return on market value	(\$480,027)
4. Amount subject to phase in [(3)-(1e)]	(\$2,903,937)
5. Phase in of asset gain/(loss)	
(a) Current year [80% x (\$2,903,937)]	(\$2,323,150)
(b) First prior year [60% x \$134,611]	80,767
(c) Second prior year [40% x \$1,414,643]	565,857
(d) Third prior year [20% x \$502,031]	100,406
(e) Total phase-in	<u>(\$1,576,120)</u>
6. Actuarial value of assets, beginning of current year [(2)-(5e)]	\$35,957,473
7. Return on actuarial value of assets	6.1%

**Reconciliation of Gain/Loss**

May 1, 2016

**Liability (gain)/loss**

Actuarial liability, beginning of prior year	\$54,569,105
Normal cost	1,447,846
Benefit payments	(1,765,114)
Expected interest	<u>3,859,408</u>
Expected actuarial liability, beginning of current year	\$58,111,245
Actual actuarial liability, before changes	\$55,055,012
Liability (gain)/loss	(\$3,056,233)

**Asset (gain)/loss**

Actuarial value of assets, beginning of prior year	\$33,438,873
Contributions	2,249,218
Benefit payments and expenses	(1,781,023)
Expected return	<u>2,357,108</u>
Expected actuarial value of assets, beginning of current year	\$36,264,176
Actual actuarial value of assets, beginning of current year	\$35,957,473
Asset (gain)/loss	\$306,703

**Total (gain)/loss**

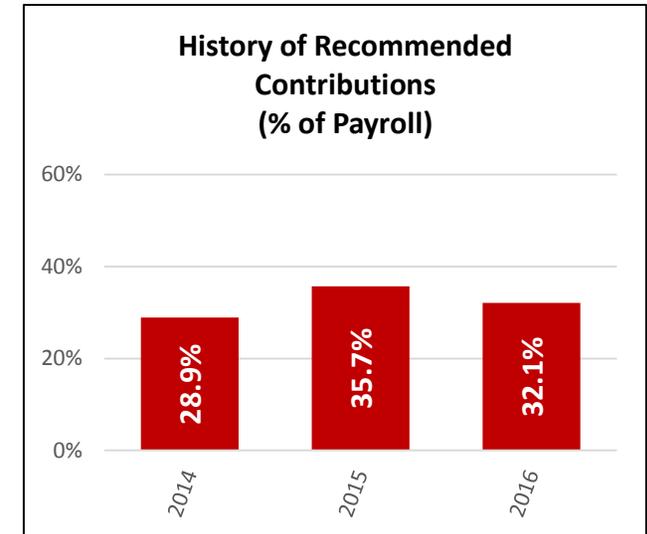
(\$2,749,630)

**Development of Recommended Contribution**

The minimum required contribution is the annual amount necessary to fund the plan according to funding policies and/or applicable laws.

**May 1, 2016**

<b>Funded Position</b>	
1. Entry age accrued liability	\$55,878,226
2. Actuarial value of assets	<u>35,957,473</u>
3. Unfunded actuarial accrued liability (UAAL)	\$19,920,753
<b>Employer Contributions</b>	
1. Normal Cost	\$1,411,858
2. Administrative expenses	15,909
3. Amortization of UAAL	939,060
4. Applicable interest	<u>82,838</u>
5. Total recommended contribution	\$2,449,665
6. Expected employee contributions	<u>593,778</u>
7. Net employer recommended contribution (5 – 6)	\$1,855,887
8. Minimum contribution (Public Act 096-1495 Tax Levy Requirement)	\$1,622,742
9. Final recommended contribution [max (7,8)]	\$1,855,887
As a percentage of expected payroll	32.1%



**Demographic Information**

The foundation of a reliable actuarial report is the participant information provided by the plan sponsor. Monitoring trends in demographic information is crucial for long-term pension planning.

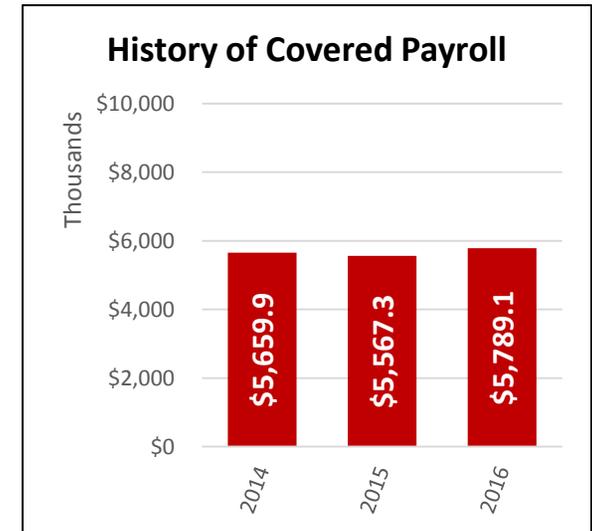
May 1, 2016

**Participant Counts**

Active Participants	62
Retired Participants	17
Beneficiaries	8
Disabled Participants	4
Terminated Vested Participants	4
<b>Total Participants</b>	<b>95</b>

**Active Participant Demographics**

Average Age	39.4
Average Service	12.4
Average Compensation	\$93,372
Covered Payroll	\$5,789,093



**Demographic Information (continued)**

**May 1, 2016**

**Retiree Statistics**

Average Age	61.8
Average Monthly Pension Benefit	\$6,412

**Beneficiary Statistics**

Average Age	74.2
Average Monthly Pension Benefit	\$3,683

**Disabled Participants Statistics**

Average Age	44.0
Average Monthly Pension Benefit	\$4,056

**Terminated Participants Statistics**

Average Age	33.8
Average Monthly Pension Benefit	\$5,706*

\* Average monthly pension benefit does not include participants eligible for a return of contributions only.

Participant Reconciliation

	Active	Terminated Vested	Disabled	Retired	Beneficiaries	Totals
<b>Prior Year</b>	62	3	3	16	7	91
<b>Active</b>						
To Retired	(2)	0	0	2	0	0
To Disabled	(1)	0	1	0	0	0
To Terminated Vested	(1)	1	0	0	0	0
Terminated Nonvested (return of employee contributions)	0	0	0	0	0	0
<b>Terminated Vested</b>						
Return of employee contributions	0	0	0	0	0	0
<b>Retired</b>						
To Death with Beneficiary	0	0	0	(1)	1	0
<b>Additions</b>	4	0	0	0	0	4
<b>Departures</b>	0	0	0	0	0	0
<b>Current Year</b>	62	4	4	17	8	95

**Active Participant Schedule**

Active participant information grouped based on age and service.

Age Group	Years of Service										Total	Average Pay
	Under 1	1 to 4	5 to 9	10 to 14	15 to 19	20 to 24	25 to 29	30 to 34	35 to 39	40 & Up		
Under 25	2										2	64,987
25 to 29	1	4									5	70,579
30 to 34	1	5	6	3							15	83,295
35 to 39				6	1						7	101,921
40 to 44			2	6	8	1					17	97,956
45 to 49				4	5		2				11	100,754
50 to 54					1	1	2				4	107,267
55 to 59									1		1	140,730
60 to 64											0	
65 to 69											0	
70 & up											0	
<b>Total</b>	<b>4</b>	<b>9</b>	<b>8</b>	<b>19</b>	<b>15</b>	<b>2</b>	<b>4</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>62</b>	<b>93,372</b>

## Eligibility for Participation

Police Officers of the Village of Romeoville

## Accrual of Benefits

For employees hired prior to January 1, 2011, the normal retirement benefit is equal to 50% of the final salary plus 2.5% of any service over 20 years (with a maximum of 30) times the final salary. There is a minimum benefit of \$1,000 per month. The benefit is paid as a 100% joint and survivor benefit with the spouse, children under 18, or dependent parents of the participants as the survivor.

For employees hired after or on January 1, 2011, the normal retirement benefit is equal to 2.5% of the final average salary times benefit service (maximum 30 years.) The benefit is paid as a 66.67% joint and survivor benefit with the spouse, children under 18, or dependent parents of the participants as the survivor.

## Benefits

### Normal Retirement

Eligibility	For employees hired prior to January 1, 2011, the normal retirement date is the first day of the month on or after completion of 20 years of service and attainment of age 50.  For employees hired after or on January 1, 2011, the normal retirement date is the first day of the month on or after completion of 10 years of service and attainment of age 55.
Benefit	Unreduced Accrued Benefit payable immediately.

### Early Retirement

Eligibility	For employees hired prior to January 1, 2011 and terminating with less than 20 years of service For employees hired after or on January 1, 2011 who has attained age 50 and has 10 years of service.
Benefit	For those hired prior to January 1, 2011 the Accrued Benefit of 2.5% of final salary times service shall be paid at age 60. For those hired after or on January 1, 2011 the Accrued Benefit is reduced by 0.5% for each month prior to age 55

### Termination

Eligibility	Participants terminating before 20 years of service.
Benefit	Refund of Contributions

**Disability In The Line of Duty**

Eligibility	For participants who become disabled in the line of duty.
Benefit	The greater of 65% of the final salary or the accrued benefit

**Disability Not In The Line of Duty**

Eligibility	For participants who become disabled outside of the line of duty.
Benefit	50% of the final salary

**Death In the Line of Duty**

Eligibility	For participants who die in the line of duty.
Benefit	The benefit is 100% of final salary paid to the survivor.

**Death Not In the Line of Duty**

Eligibility	For participants who die outside of the line of duty.
Benefit	For those hired before 1/1/2011 with greater than 20 years of service, a benefit of 100% of the accrued benefit is paid to the survivor. For those with more than 10 years of service, but less than 20 years of service, a benefit of 50% of the final salary is paid to the survivor.  For those hired after 1/1/2011 a benefit of 100% of the accrued benefit is paid to the survivor.

**Compensation**

Final Salary is the salary attached to the rank held on the last day of service, or one year prior to the last day, whichever is greater.

Final Average Salary is the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Salary will not exceed \$106,800 adjusted from January 1, 2011 with the lesser of 3% and 50% of the CPI on November 1.

**Credited Service**

For Vesting and Benefit Accrual purposes, pension service credit is based on elapsed time from hire.

**Employee Contributions**

9.91% of Compensation

**COLA**

Eligibility

All Participants

Benefit

For employees hired prior to January 1, 2011 a compound COLA of 3% is granted each year after attainment of age 55 and 1 year of payments.

For employees hired after or on January 1, 2011 a simple COLA of the lesser of 3% and 50% of the CPI on November 1 is granted each year after attainment of age 60 and 1 year of payments.

For disabled employees, a simple COLA is available after attainment of age 60 and 1 year of payments. For employees hired prior to January 1, 2011 the COLA is 3%. For employees hired after January 1, 2011, the COLA is the lesser of 3% and 50% of the CPI on November 1.

**Plan Provisions Not Included**

We are not aware of any plan provisions not included in the valuation

**Adjustments Made for Subsequent Events**

We are not aware of any event following the measurement date and prior to the date of this report that would materially impact the results of this report.

Except where otherwise indicated, the following assumptions were selected by the plan sponsor with the concurrence of the actuary. Prescribed assumptions are based on the requirements of the relevant law, the Internal Revenue Code, and applicable regulation. The actuary was not able to evaluate the prescribed assumptions for reasonableness for the purpose of the measurement.

<b>Valuation Date</b>	May 1, 2016												
<b>Participant and Asset Information Collected as of</b>	May 1, 2016												
<b>Actuarial Cost Method (CO)</b>	Entry Age Method												
<b>Amortization Method (CO)</b>	Closed level percentage of payroll amortization of 100% of the Unfunded Actuarial Accrued Liability using a 5.50% payroll growth assumption over the period ending on April 30, 2041 (25-year amortization in 2016)												
<b>Asset Method</b>	5 year smoothing of asset gains and losses												
<b>Interest Rates (CO)</b>	7.00%, net of investment expenses												
<b>Inflation (FE)</b>	2.50%												
<b>Annual Pay Increases (FE)</b>	5.50%												
<b>Ad-hoc Cost-of-living Increases</b>	3.0% (1.25% for those hired after 1/1/2011)												
<b>Mortality Rates (FE)</b>													
Healthy	RP-2000 Mortality Table with blue collar adjustment, projected to 2016 using Scale AA												
Disabled	RP-2000 Disabled Mortality Table, projected to 2016 using Scale AA												
	5% of deaths are assumed to be service related												
<b>Retirement Rates (FE)</b>	Recommended rates from the DOI experience study:												
	<table border="0"> <thead> <tr> <th><u>Age</u></th> <th><u>Rate</u></th> </tr> </thead> <tbody> <tr> <td>50-54</td> <td>20%</td> </tr> <tr> <td>55-59</td> <td>25%</td> </tr> <tr> <td>60-62</td> <td>33%</td> </tr> <tr> <td>63-69</td> <td>50%</td> </tr> <tr> <td>70</td> <td>100%</td> </tr> </tbody> </table>	<u>Age</u>	<u>Rate</u>	50-54	20%	55-59	25%	60-62	33%	63-69	50%	70	100%
<u>Age</u>	<u>Rate</u>												
50-54	20%												
55-59	25%												
60-62	33%												
63-69	50%												
70	100%												

**Disability Rates (FE)**

Recommended rates from the DOI experience study. Sample rates include:

<u>Age</u>	<u>Rate</u>
20	0.05%
30	0.22%
40	0.40%
50	0.95%

70% of disabilities are assumed to be in the line of duty

**Termination Rates (FE)**

Recommended rates from the DOI experience study. Sample rates include:

<u>Age</u>	<u>Rate</u>
20	10.00%
30	5.00%
40	2.00%
50	3.50%

**Marital Status and Ages (FE)**

80% of participants are assumed to be married with female spouses 3 years younger.

**Expense Load**

Equal to the administrative expenses paid in the prior year.

**Funding Policy (Recommended Contribution)**

Equal to the normal cost plus and amortization of the unfunded liability to fund the plan to 100% as a level percentage of payroll by 2041 using the Entry Age Normal cost method.

FE indicates an assumption representing an estimate of future experience

MD indicates an assumption representing observations of estimates inherent in market data

CO indicates as assumption representing a combination of an estimate of future experience and observations of market data

The actuarial report also shows the necessary items required for plan reporting and the any state requirements.

- ✓ Minimum contribution (Public Act 096-1495 Tax Levy Requirement)

**Minimum Contribution (Public Act 096-1495 Tax Levy Requirement)**

	<b>May 1, 2016</b>
1. Accrued liability using projected unit credit cost method	\$52,901,852
2. 90% of Accrued liability	\$47,611,667
3. Actuarial value of assets	<u>35,957,473</u>
4. Unfunded liability to be amortized [(2)-(3)]	\$11,654,194
5. Total normal cost using projected unit credit cost method	\$1,576,280
6. Administrative expenses	15,909
7. 25 year level pay amortization of (4)	549,376
8. Applicable interest	<u>74,955</u>
9. Minimum contribution (5 + 6 + 7 + 8)	\$2,216,520
10. Expected employee contributions	<u>593,778</u>
11. Net employer minimum contribution (9 – 10)	\$1,622,742

**Actuarial Cost Method**

Projected Unit Credit

**Amortization Method**

Closed level percentage of payroll amortization of 90% of Unfunded Actuarial Accrued Liability using a 5.50% payroll growth assumption over the period ending on April 30, 2041 (25 year amortization in 2016)

**Asset Method**

5 year smoothing of asset gains and losses

**Interest Rate**

7.00%, net of investment expenses

**ROMEOVILLE POLICE PENSION FUND  
Actuarial Valuation Report**

**Showing Assets and Liabilities of the Fund in  
Accordance with Actuarial Reserve Requirements  
as of May 1, 2016**

**Summary**

Accrued Liability	\$53,092,068
Actuarial Value of Assets	\$35,947,284
Unfunded Accrued Liability	<u>\$17,144,784</u>
 Funded Ratio	 68%

**Liabilities**

Reserves for Annuities and Benefits in Force

	Head Count:	Present Value:	
Retirement Annuities	17	20,178,386	
Disability Annuities	4	3,052,927	
Surviving Spouse Annuities	8	2,970,885	
Minor Dependent Annuities	0	0	
Deferred Retirement Annuities	1	1,217,261	
Handicapped Dependent Annuities	0	0	
Dependent Parent Annuities	0	0	
Terminated Liabilities	3	<u>16,126</u>	
Total:	<u>33</u>		\$27,435,585

Accrued Liabilities for Active Members	62	<u>\$25,656,483</u>
Total Accrued Liabilities		\$53,092,068
Total Normal Cost for Active Members		\$1,655,160
Total Normal Cost as a Percentage of Payroll		29%

Total Annual Payroll \$5,789,093

Amortization of Unfunded Liabilities:

Total Accrued Liability	\$53,092,068
90% Funded Ratio Target	\$47,782,861
Actuarial Value of Assets	\$35,947,284
Liabilities Subject to Amortization	\$11,835,577
Amortization Period	24 years
Amortization Payment, Beginning of Year	\$623,247

This report is provided to the Board and Municipality as part of the Public Pension Division advisory services under Section 1A-106 of the Illinois Pension Code. This report should not be relied upon for purposes other than determining the current tax levy required under the Illinois Pension Code. The assumptions have been set based on expectations for all Article 3 funds in the State of Illinois. The actuarial methods are prescribed by the Illinois Pension Code and do not necessarily represent the approach recommended by either the actuary or the Department of Insurance. This report was prepared under the direct supervision of the undersigned:

Jason Franken  
Enrolled Actuary #14-06888  
Foster & Foster

Deputy Director  
Public Pension Division  
Illinois Department of Insurance

**ROMEOVILLE POLICE PENSION FUND**  
**Actuarial Valuation Report**

**Assets**

Actuarial Value of Assets

Current Year Gain/(Loss):

Market value of assets as of April 30, 2015	\$34,393,185
Benefit payments during fiscal year 2016	(1,765,114)
Total contributions during fiscal year 2016	2,249,218
Expected return during fiscal year 2016	2,337,879
Expected market value of assets as of April 30, 2016	\$37,215,168
Actual market value of assets as of April 30, 2016	\$34,381,353
Investment gain/(loss) during the fiscal year	(\$2,833,814)

Development of Actuarial Value of Assets (market value less unrecognized amounts):

Market value of assets as of April 30, 2016	\$34,381,353
Unrecognized gain/(loss) from fiscal 2016	(2,267,051)
Unrecognized gain/(loss) from fiscal 2015	117,715
Unrecognized gain/(loss) from fiscal 2014	472,309
Unrecognized gain/(loss) from fiscal 2013	111,097
Actuarial value of assets as of April 30, 2016	\$35,947,284

**Actuarially Determined Employer Contributions**

Actuarially determined amount to provide the employer normal cost based on the annual payroll of active participants as of May 1, 2016.	\$1,081,461
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Amount necessary to amortize the unfunded accrued liability as determined by the State of Illinois Department of Insurance over the remaining 24 years as prescribed by Section 3-125 of the Illinois Pension Code.	\$623,247
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Interest to the end of the fiscal year.	\$115,068
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Total suggested amount of employer contributions to arrive at the annual requirements of the fund as prescribed by Section 3-125 of the Illinois Pension Code. *	\$1,819,775
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\*The above figure is the suggested amount which should be obtained by the fund from the municipality exclusive of any other items of income, such as interest on investments, contributions from participants, etc. These items have already been taken into consideration in arriving at this amount.

# ROMEOVILLE POLICE PENSION FUND

## Actuarial Valuation Report

### Actuarial Information

The following methods have been prescribed in accordance with Section 3-125 of the Illinois Pension Code.

Funding method	Projected Unit Credit
Amortization method	Normal cost, plus an additional amount (determined as a level percentage of payroll) to bring the plan's funded ratio to 90% by the end of fiscal year 2040.
Asset valuation method	Investment gains and losses are recognized over a 5-year period.

### Actuarial Assumptions

Interest rate	6.75%
Interest rate, prior fiscal year	6.75%
Healthy mortality rates - Male	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Healthy mortality rates - Female	RP-2000 Combined Healthy Mortality, with Blue Collar Adjustment
Disability mortality rates - Male	RP-2000 Disabled Retiree Mortality
Disability mortality rates - Female	RP-2000 Disabled Retiree Mortality
Decrements other than mortality	Experience tables
Rate of service-related deaths	5%
Rate of service-related disabilities	70%
Salary increases	Service-related table with rates grading from 11% to 4% at 30 years of service
Payroll growth	4.50%
Tier 2 cost-of-living adjustment	1.25%
Marital assumptions	80% of members are assumed to be married; male spouses are assumed to be 3 years older than female spouses.

The actuarial assumptions used for determining the above amounts are based on experience for all Article 3 funds for the State of Illinois in aggregate. The Department of Insurance has approved the above actuarial assumptions. Contact the Department of Insurance for complete experience tables.

### Data and Fund Information

The above valuation uses personnel data as reported to the Department of Insurance in the Schedule P. Specifically, the following data items have been determined as of the date of the Actuarial Valuation Report: attained age, annual salary or pension, completed years of service of each individual participant.

The fund specific information used in the production of this document was provided to the Department of Insurance by your pension fund board of trustees through the fund's annual statement filing.