

THE VILLAGE OF ROMEOVILLE, ILLINOIS  
POLICE PENSION FUND

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PUBLIC ACT 95-0950  
MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED  
APRIL 30, 2019



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

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November 1, 2019

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

Enclosed please find a copy of your Municipal Compliance Report for the Romeoville Police Pension Fund for the fiscal year ended April 30, 2019. 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 us at [auditreport@lauterbachamen.com](mailto:auditreport@lauterbachamen.com).

Respectfully submitted,

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP

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

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

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The Pension Board certifies to the Board of Trustees of the Village of Romeoville, 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>\$46,043,708</u>	<u>\$42,853,493</u>
Total Net Position	<u>\$46,046,589</u>	<u>\$42,847,462</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>\$670,700</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$3,223,100</u>
Municipal Contributions	<u>\$2,170,130</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>\$2,500,300</u>
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	<u>N/A</u>
Private Actuary - Nyhart, Actuary	
Recommended Municipal Contribution	<u>\$2,170,130</u>
Statutory Municipal Contribution	<u>\$1,884,488</u>

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

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

- 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	\$2,433,900	\$3,481,196
Assumed Investment Return		
Illinois Department of Insurance	N/A	6.50%
Private Actuary - Nyhart, Actuary	7.00%	7.00%
Actual Investment Return	5.48%	8.51%

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

Number of Active Members	67
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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	17	\$1,404,270
(ii) Disability Pension	4	\$203,275
(iii) Survivors and Child Benefits	7	\$343,325
Totals	28	\$1,950,870

**THE VILLAGE OF ROMEOVILLE, ILLINOIS  
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7) The funded ratio of the fund:

	Current Fiscal Year	Preceding Fiscal Year
Illinois Department of Insurance	N/A	69.84%
Private Actuary - Nyhart, Actuary	71.76%	67.58%

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

Unfunded Liability:

Illinois Department of Insurance	N/A
Private Actuary - Nyhart, Actuary	\$18,120,309

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 \_\_\_\_\_ day of \_\_\_\_\_, 2019

President \_\_\_\_\_ Date \_\_\_\_\_

Secretary \_\_\_\_\_ Date \_\_\_\_\_

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

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For the Fiscal Year Ending April 30, 2019**

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**INDEX OF ASSUMPTIONS**

- 1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended April 30, 2019 and 2018.

Total Net Position - as Reported in the Audited Financial Statements for the Years Ended April 30, 2019 and 2018.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended April 30, 2019 plus 5.5% 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 April 30, 2019, times 7% (Actuarial Investment Return Assumption) Rounded to the Nearest \$100.

Municipal Contributions - Recommended Tax Levy Requirement as Reported by Nyhart, Actuary, Actuarial Valuation for the Year Ended April 30, 2019.

- 3) (a) Pay all Pensions and Other Obligations - Total Non-Investment Deductions as Reported in the Audited Financial Statements for the Year Ended April 30, 2019, plus a 25% Increase, Rounded to the Nearest \$100.

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

Illinois Department of Insurance - No April 30, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Nyhart, Actuary

Recommended Amount of Tax Levy as Reported by Nyhart, Actuary in the April 30, 2019 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Nyhart, Actuary in the April 30, 2019 Actuarial Valuation.

**THE VILLAGE OF ROMEOVILLE, ILLINOIS  
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**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 April 30, 2019 and 2018.

**Assumed Investment Return:**

Illinois Department of Insurance - Preceding Fiscal Year Interest Rate Assumption as Reported in the April 30, 2018 Actuarial Valuation. No April 30, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Nyhart, Actuary, April 30, 2019 and 2018 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 April 30, 2019 and 2018.

- 5) Number of Active Members - Illinois Department of Insurance Annual Statement for April 30, 2019 - Schedule P.
- 6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for April 30, 2019 - 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 ROMEOVILLE, ILLINOIS  
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**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending April 30, 2019**

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**INDEX OF ASSUMPTIONS - Continued**

**7) The funded ratio of the fund:**

Illinois Department of Insurance - Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the April 30, 2018 Actuarial Valuation. No April 30, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Actuarial Value of Assets as a percentage of Accrued Liability as Reported in the Nyhart, Actuary, April 30, 2019 and 2018 Actuarial Valuations.

**8) Unfunded Liability:**

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) - No April 30, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Nyhart, Actuary in the April 30, 2019 Actuarial Valuation.



# ***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:



Treasurer

DATE:

10 - 14 - 14



# **Village of Romeoville Police Pension Fund**

May 1, 2019  
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, 2019 . The purpose of this report is to communicate the following results of the valuation:

- Funded Status;
- Village Funding Policy Contribution;
- Statutory Minimum 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.

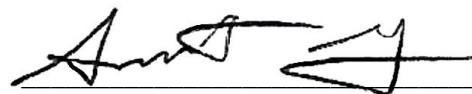
Neither Nyhart nor any of its employees have any relationship with the plan or its sponsor which could impair or appear to impair the objectivity of this report. To the extent that this report or any attachment concerns tax matters, it is not intended to be used and cannot be used by a taxpayer for the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



Michael Zurek, EA, FCA, MAAA



Scott Gavin, FSA, EA, MAAA

September 13, 2019

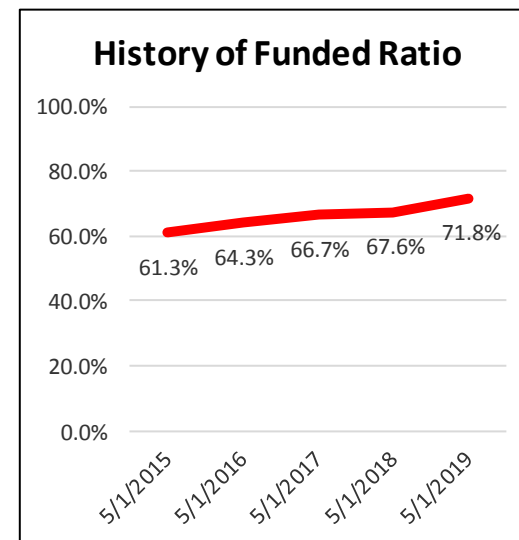
Date



## 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 actuarial cost method.

	May 1, 2018	May 1, 2019
<b>Funded Status Measures</b>		
Accrued Liability	\$ 62,868,434	\$ 64,176,118
Actuarial Value of Assets	42,488,243	46,055,809
Unfunded Accrued Liability	\$ 20,380,191	\$ 18,120,309
Funded Percentage (AVA)	67.6%	71.8%
Funded percentage (MVA)	68.2%	71.8%
<b>Cost Measures</b>		
Total Funding Policy Pension Contribution	\$ 2,693,758	\$ 2,845,835
Expected Employee Contributions	(622,186)	(675,705)
Net Village Funding Policy Contribution	\$ 2,071,572	\$ 2,170,130
- as a Percentage of Payroll	34.2%	32.9%
<b>Asset Measures</b>		
Market Value of Assets (MVA)	\$ 42,847,462	\$ 46,046,589
Actuarial Value of Assets (AVA)	\$ 42,488,243	\$ 46,055,809
Actuarial Value/Market Value	99.2%	100.0%
<b>Participant Information</b>		
Active Participants	62	66
Terminated Vested Participants	5	7
Retirees, Beneficiaries, and Disabled Participants	29	28
Total	96	101
Payroll	\$ 6,066,051	\$ 6,587,836



## Changes since Prior Valuation and Key Notes

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

The healthy mortality assumption was updated from the RP-2014 mortality table with blue collar adjustment projected generationally from 2013 using scale MP-2017, to the RP-2014 mortality table with blue collar adjustment projected generationally from 2013 using scale MP-2018. The disabled mortality table was changed to 115% of the healthy mortality table projected generationally from 2013 using scale MP-2018. The change resulted in a decrease in benefit obligations and in the recommended contribution.

The payroll growth assumption for amortization of the unfunded liability was changed from 5.5% to 4.0%. This change resulted in an increase in the recommended contribution.

## History of Valuation Results

	5/1/2015	5/1/2016	5/1/2017	5/1/2018	5/1/2019
<b>Plan Funding</b>					
Accrued Liability	\$ 54,569,105	\$ 55,878,226	\$ 58,633,244	\$ 62,868,434	\$ 64,176,118
Actuarial Value of Assets	33,438,873	35,957,473	39,122,326	42,488,243	46,055,809
Unfunded Accrued Liability	\$ 21,130,232	\$ 19,920,753	\$ 19,510,918	\$ 20,380,191	\$ 18,120,309
Funded Percentage	61.3%	64.3%	66.7%	67.6%	71.8%
Normal Cost (NC)	\$ 1,447,846	\$ 1,411,858	\$ 1,432,911	\$ 1,523,010	\$ 1,607,866
NC as a Percent of Covered Payroll	26.0%	24.4%	23.7%	25.1%	24.4%
Actual Contribution	\$ 1,696,960	\$ 1,991,448	\$ 1,856,992	\$ 2,104,243	To Be Determined
Funding Policy Contribution	\$ 1,990,487	\$ 1,855,887	\$ 1,866,943	\$ 2,071,572	\$ 2,170,130
Funding Policy Contribution (% of Pay)	35.8%	32.1%	30.9%	34.2%	32.9%
Interest Rate	7.00%	7.00%	7.00%	7.00%	7.00%
<b>Rate of Return</b>					
Actuarial Value of Assets	7.9%	6.1%	7.1%	7.4%	6.5%
Market Value of Assets	7.4%	-1.4%	11.3%	8.9%	5.6%
<b>Demographic Information</b>					
Active Participants	62	62	64	62	66
Retired Participants	16	17	17	18	17
Beneficiaries	7	8	9	7	7
Disabled Participants	3	4	4	4	4
Terminated Vested Participants	3	4	4	5	7
Total Participants	91	95	98	96	101
Covered Payroll	\$ 5,567,300	\$ 5,789,093	\$ 6,048,420	\$ 6,066,051	\$ 6,587,836
Average Covered Pay	\$ 89,795	\$ 93,372	\$ 94,507	\$ 97,840	\$ 99,816

## Identification of Risks

The results presented in this report are shown as single point values. However, these values are derived using assumptions about future markets and demographic behavior. If actual experience deviates from our assumptions, the actual results for the plan will consequently deviate from those presented in this report. Therefore, it is critical to understand the risks facing this pension plan. The following table shows the risks we believe are most relevant to the Village of Romeoville Police Pension Fund. The risks are generally ordered with those we believe to have the most significance at the top. Also shown are possible methods by which a more detailed assessment of the risk can be performed.

### Type of Risk

### Method to Assess Risk

Investment Return	Scenario Testing; Asset Liability Study
Participant Longevity	Projections and Contribution Strategy
Early Retirement	
Salary Growth	

## Plan Maturity Measures - May 1, 2019

Each pension plan has a distinct life-cycle. New plans promise future benefits to active employees and then accumulate assets to pre-fund those benefits. As the plan matures, benefits are paid and the pre-funded assets begin to decumulate until ultimately, the plan pays out all benefits. A plan's maturity has a dramatic influence on how risks should be viewed. The following maturity measures illustrate where the Village of Romeoville Police Pension Fund falls in its life-cycle.

### **Duration of Liabilities: 16.4**

Duration is the most common measure of plan maturity. It is defined as the sensitivity of the liabilities to a change in the interest rate assumption. The metric also approximates the weighted average length of time, in years, until benefits are expected to be paid. A plan with high duration is, by definition, more sensitive to changes in interest rates. A plan with low duration is more susceptible to risk if asset performance deviates from expectations as there would be less time to make up for market losses in adverse market environments while more favorable environments could result in trapped surplus from gains. Conversely, high duration plans can often take on more risk when investing, and low duration plans are less sensitive to interest rate fluctuations.

### **Demographic Distribution - Ratio of Actively Accruing Participants to All Participants: 65.3%**

A plan with a high ratio is more sensitive to fluctuations in salary (if a salary-based plan) and statutory changes. A plan with a low ratio is at higher risk from demographic experience. Such a plan should pay close attention to valuation assumptions as there will be less opportunity to realize future offsetting gains or losses when current experience deviates from assumptions. Plans with a low ratio also have limited opportunities to make alterations to plan design to affect future funded status.

### **Asset Leverage - Ratio of Payroll for Plan Participants to Market Value of Assets: 14.3%**

Younger plans typically have a large payroll base from which to draw in order to fund the plan while mature plans often have a large pool of assets dedicated to providing benefits to a population primarily consisting of members no longer on payroll. Plans with low asset leverage will find it more difficult to address underfunding, as the contributions needed to make up the deficit will represent a higher percentage of payroll than for a plan with high asset leverage.

### **Benefit Payment Percentage - Ratio of Annual Benefit Payments to Market Value of Assets: 4.6%**

As a plan enters its decumulation phase, a larger percentage of the pre-funded assets are paid out each year to retirees. A high percentage is not cause for alarm as long as the plan is nearly fully funded. However, such a plan is more sensitive to negative asset performance, especially if cash contributions are not an option to make up for losses.

## Present Value of Future Benefits

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

May 1, 2019

## Present Value of Future Benefits

### Active Participants

Retirement	\$ 45,170,635
Disability	3,212,075
Death	821,737
Termination	1,369,477
Total Active	\$ 50,573,924

### Inactive participants

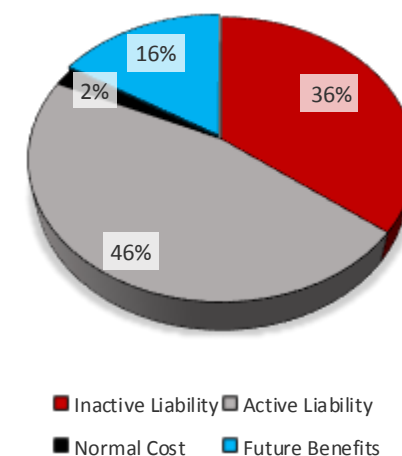
Retired Participants	\$ 21,267,710
Beneficiaries	3,004,204
Disabled Participants	3,481,737
Terminated Vested Participants	46,206
Total Inactive	\$ 27,799,857

Total \$ 78,373,781

Present Value of Future Payrolls \$ 66,853,559

Present Value of Future Employee Contributions \$ 6,399,071

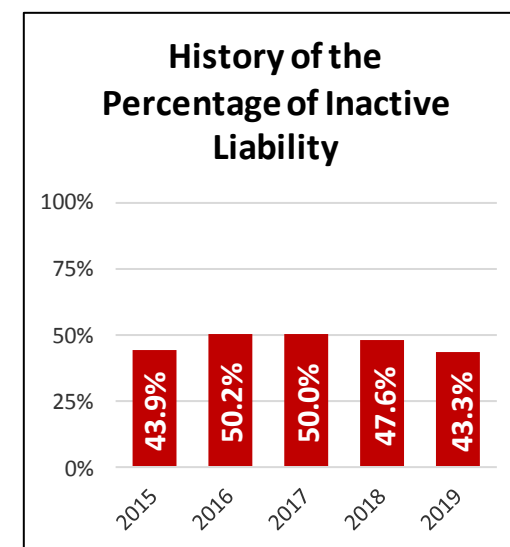
Breakdown of Present Value of Future Benefits



## Accrued Liability

The Funding Liability measures the present value of benefits earned as of the valuation date, using the actuarial assumptions described in the assumption section of this report and the Entry Age Normal actuarial cost method.

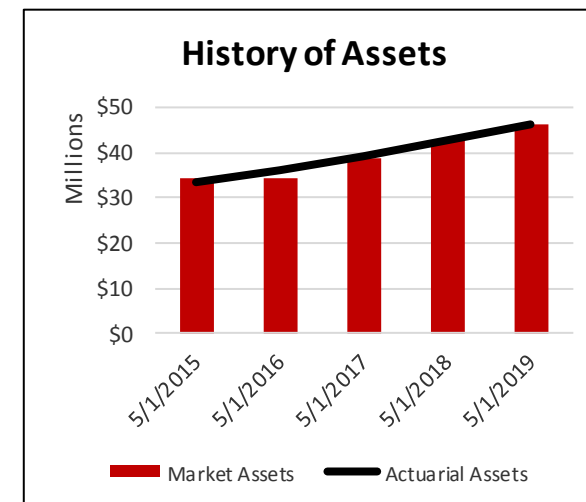
	May 1, 2019
<b>Funding Liabilities</b>	
Active Participants	
Retirement	\$ 33,317,774
Disability	1,799,556
Death	455,972
Termination	802,959
Total Active	<u>\$ 36,376,261</u>
Inactive Participants	
Retired Participants	\$ 21,267,710
Beneficiaries	3,004,204
Disabled Participants	3,481,737
Terminated Vested Participants	46,206
Total Inactive	<u>\$ 27,799,857</u>
Total	\$ 64,176,118
 Normal Cost	 \$ 1,607,866



## 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.

	May 1, 2019
<b>Market Value Reconciliation</b>	
Market Value of Assets, Beginning of Prior Year	\$ 42,847,462
Contributions	
Employer Contributions	\$ 2,104,243
Member Contributions	661,199
Total	\$ 2,765,442
Investment Income	2,433,899
Benefit Payments	(1,950,870)
Administrative Expenses	(49,344)
Market Value of Assets, Beginning of Current Year	\$ 46,046,589
Return on Market Value	5.6%
<b>Actuarial value of assets</b>	
Value at Beginning of Current Year	\$ 46,055,809





**Asset Information (continued)**

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

	May 1, 2019
1. Expected Market Value of Assets	
(a) Market Value of Assets, Beginning of Prior Year	\$ 42,847,462
(b) Contributions	2,765,442
(c) Benefit Payments	(1,950,870)
(d) Administrative Expenses	(49,344)
(e) Expected Return	3,026,105
(f) Expected Market Value of Assets, Beginning of Current Year	<u>\$ 46,638,795</u>
2. Market Value of Assets, Beginning of Current Year	\$ 46,046,589
3. Actual Return on Market Value	\$ 2,433,899
4. Amount Subject to Phase-in [(3)-(1e)]	\$ (592,206)
5. Phase-in of Asset Gain/(Loss)	
(a) Current Year [80% x \$ (592,206) ]	\$ (473,765)
(b) First Prior Year [60% x \$ 741,250 ]	444,750
(c) Second Prior Year [40% x \$ 1,501,454 ]	600,582
(d) Third Prior Year [20% x \$ (2,903,937) ]	(580,787)
(e) Total Phase-in	<u>\$ (9,220)</u>
6. Actuarial Value of Assets, Beginning of Current Year [(2)-(5e)]	\$ 46,055,809
7. Return on Actuarial Value of Assets	6.5%

**Reconciliation of Gain/Loss**

**May 1, 2019**

**Liability (Gain)/Loss**

Actuarial Liability, Beginning of Prior Year	\$ 62,868,434
Normal Cost	1,523,010
Benefit Payments	(1,950,870)
Expected Interest	4,439,121
Expected Actuarial Liability, Beginning of Current Year	\$ 66,879,695
Actual Actuarial Liability, Before Changes	\$ 64,356,959
Liability (Gain)/Loss	\$ (2,522,736)

**Asset (Gain)/Loss**

Actuarial Value of Assets, Beginning of Prior Year	\$ 42,488,243
Contributions	2,765,442
Benefit Payments and Administrative Expenses	(2,000,214)
Expected Return	3,000,960
Expected Actuarial Value of Assets, Beginning of Current Year	\$ 46,254,431
Actual Actuarial Value of Assets, Beginning of Current Year	\$ 46,055,809
Asset (Gain)/Loss	\$ 198,622

**Total (Gain)/Loss**

\$ (2,324,114)

## Development of Funding Policy Contribution

The funding policy contribution is the annual amount needed to fund the plan to 100% by the end of the 2041 fiscal year as a level percentage of payroll, using the Entry Age Normal actuarial cost method. The recommended contribution is subject to the State statutory minimum, which is the annual amount needed to fund the plan to 90% by the end of the 2040 fiscal year as a level percentage of payroll, using the Projected Unit Credit actuarial cost method.

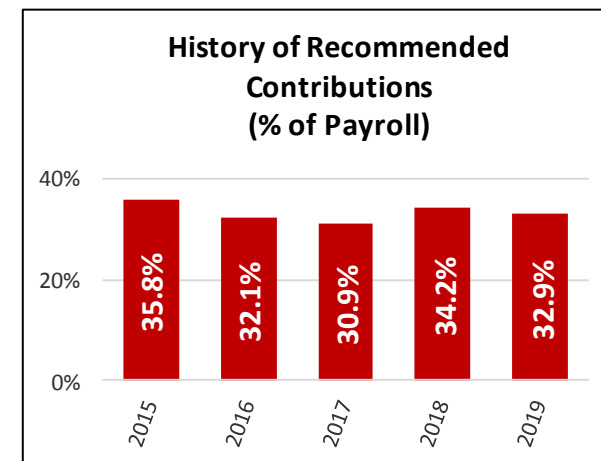
May 1, 2019

### Funded Position

1. Entry Age Normal Accrued Liability	\$ 64,176,118
2. 100% of Entry Age Normal Accrued Liability	\$ 64,176,118
3. Actuarial Value of Assets	46,055,809
4. Unfunded Actuarial Accrued Liability (UAAL) (2 – 3)	\$ 18,120,309

### Funding Policy Contribution

1. Normal Cost	\$ 1,607,866
2. Administrative Expenses	49,344
3. Amortization of UAAL	1,092,389
4. Applicable Interest	96,236
5. Total Funding Policy Contribution	\$ 2,845,835
6. Expected Employee Contributions	675,705
7. Net Village Funding Policy Contribution (5 – 6)	\$ 2,170,130
8. Minimum Contribution (Public Act 096-1495 Tax Levy Requirement)	\$ 1,884,488
9. Final Contribution [max (7,8)]	\$ 2,170,130
As a Percentage of Expected Payroll	32.9%



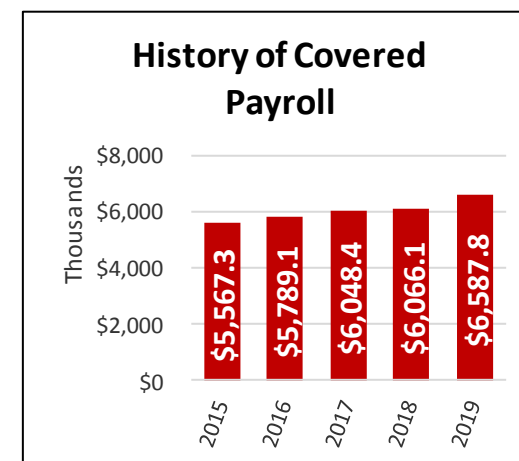
The Plan's Normal Cost plus interest on the Unfunded Actuarial Accrued Liability is \$ 2,212,061 .

A contribution greater than the Normal Cost plus interest on the Unfunded Actuarial Accrued Liability will reduce the Unfunded Actuarial Accrued Liability, if all other assumptions are met. A contribution less than the Normal Cost plus interest on the Unfunded Actuarial Accrued Liability will increase the Unfunded Actuarial Accrued Liability, if all other assumptions are met. Consider making a contribution greater than the Normal Cost plus interest on the Unfunded Actuarial Accrued Liability in order to pay down the Plan's shortfall more rapidly if that amount is greater than your funding policy contribution.

## 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, 2018	May 1, 2019
<b>Participant Counts</b>		
Active Participants	62	66
Retired Participants	18	17
Beneficiaries	7	7
Disabled Participants	4	4
Terminated Vested Participants	5	7
Total Participants	96	101
<b>Active Participant Demographics</b>		
Average Age	40.3	40.6
Average Service	13.4	13.8
Average Compensation	\$ 97,840	\$ 99,816
Covered Payroll	\$ 6,066,051	\$ 6,587,836



Demographic Information (continued)

	May 1, 2018	May 1, 2019
<b>Retiree Statistics</b>		
Average Age	62.2	63.3
Average Monthly Pension Benefit	\$ 6,688	\$ 6,915
<b>Beneficiary Statistics</b>		
Average Age	73.3	74.3
Average Monthly Pension Benefit	\$ 4,087	\$ 4,087
<b>Disabled Participants Statistics</b>		
Average Age	46.0	48.8
Average Monthly Pension Benefit	\$ 4,056	\$ 4,154
<b>Terminated Participants Statistics</b>		
Average Age	33.4	29.4
Average Monthly Pension Benefit*	\$ 3,174	\$ -

\* 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	5	4	18	7	96
<b>Active</b>						
To Retired	0	0	0	0	0	0
To Disabled	0	0	0	0	0	0
To Terminated Vested	(2)	2	0	0	0	0
To Death	0	0	0	0	0	0
Terminated Nonvested (return of employee contributions)	0	0	0	0	0	0
<b>Terminated Vested</b>						
To Disabled	0	(1)	1	0	0	0
Return of employee contributions	0	0	0	0	0	0
<b>Disabled</b>						
To Active	1	0	(1)	0	0	0
<b>Retired</b>						
To Death with Beneficiary	0	0	0	0	0	0
To Death without Beneficiary	0	0	0	(1)	0	(1)
<b>Beneficiaries</b>						
To Death	0	0	0	0	0	0
<b>Additions</b>	5	1	0	0	0	6
<b>Departures</b>	0	0	0	0	0	0
<b>Current Year</b>	66	7	4	17	7	101

## 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									4	69,729
25 to 29	2	5									7	73,043
30 to 34		3	5	2							10	89,646
35 to 39				8	1						9	102,121
40 to 44			1	2	5	1					9	106,871
45 to 49				2	8	7					17	107,150
50 to 54					4	2	2				8	113,952
55 to 59							1				1	136,019
60 to 64									1		1	151,038
65 to 69												
70 & up												
Total	4	10	6	14	18	10	3	0	1	0	66	99,816

## 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	<p>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.</p> <p>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.</p>
Benefit	Unreduced Accrued Benefit payable immediately.

### Early Retirement

Eligibility	<p>For employees hired prior to January 1, 2011 and terminating with less than 20 years of service</p> <p>For employees hired after or on January 1, 2011 who has attained age 50 and has 10 years of service.</p>
Benefit	<p>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.</p> <p>For those hired after or on January 1, 2011 the Accrued Benefit is reduced by 0.5% for each month prior to age 55</p>

## 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 and applicable regulations. The actuary was not able to evaluate the prescribed assumptions for reasonableness for the purpose of the measurement.

<b>Valuation Date</b>	May 1, 2019
<b>Participant and Asset Information Collected as of</b>	May 1, 2019
<b>Actuarial Cost Method (CO)</b>	Entry Age Normal Cost Method
<b>Amortization Method – Funding Policy Contribution (CO)</b>	Closed level percentage of payroll amortization of 100% of the Unfunded Actuarial Accrued Liability using a 4.00% payroll growth assumption over the period ending on April 30, 2041 (22-year amortization in 2019)
<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-2014 Mortality Table with blue collar adjustment, projected generationally using improvement scale MP-2018 from 2013
Disabled	115% of the healthy mortality table, projected generationally using improvement scale MP-2018 from 2013
	10% of deaths are assumed to be in the line of duty

**Retirement Rates (FE)**

Recommended rates from the 2017 IDOI experience study:

Tier I		Tier II	
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
50-51	15%	50-54	5%
52-54	20%	55	40%
55-64	25%	56-64	25%
65-69	40%	65-69	40%
70+	100%	70+	100%

**Disability Rates (FE)**

Recommended rates from the 2017 IDOI experience study. Sample rates include:

<u>Age</u>	<u>Rate</u>
20	0.000%
30	0.140%
40	0.420%
50	0.710%

60% of disabilities are assumed to be in the line of duty

**Termination Rates (FE)**

Recommended rates from the 2017 IDOI experience study. Sample rates include:

<u>Age</u>	<u>Rate</u>
20	10.40%
30	5.60%
40	1.90%
50	1.50%

**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**

Equal to the normal cost plus an 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)**

**May 1, 2019**

1. Accrued liability using projected unit credit cost method	\$ 61,030,867
2. 90% of Accrued liability	\$ 54,927,780
3. Actuarial value of assets	<u>46,055,809</u>
4. Unfunded liability to be amortized [(2)-(3)]	\$ 8,871,971
5. Total normal cost using projected unit credit cost method	\$ 1,871,068
6. Administrative expenses	49,344
7. 21-year level pay amortization of (4)	553,204
8. Applicable interest	<u>86,577</u>
9. Minimum contribution (5 + 6 + 7 + 8)	\$ 2,560,193
10. Expected employee contributions	<u>675,705</u>
11. Net employer minimum contribution (9 – 10)	\$ 1,884,488

**Actuarial Cost Method**

Projected Unit Credit

**Amortization Method**

Closed level percentage of payroll amortization of 90% of Unfunded Actuarial Accrued Liability using a 4.00% payroll growth assumption over the period ending on April 30, 2040 (21-year amortization in 2019)

**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, 2019

#### Summary

Accrued Liability	\$62,899,440
Actuarial Value of Assets	\$45,754,929
Unfunded Accrued Liability	\$17,144,511

Funded Ratio 73%

#### Liabilities

##### Reserves for Annuities and Benefits in Force

	Head Count:	Present Value:	
Retirement Annuities	17	22,161,488	
Disability Annuities	4	3,584,729	
Surviving Spouse Annuities	7	3,074,349	
Minor Dependent Annuities	0	0	
Deferred Retirement Annuities	0	0	
Handicapped Dependent Annuities	0	0	
Dependent Parent Annuities	0	0	
Terminated Liabilities	7	46,206	
Total:	35		\$28,866,772

Accrued Liabilities for Active Members	66	\$34,032,668
Total Accrued Liabilities		\$62,899,440
Total Normal Cost for Active Members		\$2,036,080
Total Normal Cost as a Percentage of Payroll		31%

Total Annual Payroll \$6,587,836

##### Amortization of Unfunded Liabilities:

Total Accrued Liability	\$62,899,440
90% Funded Ratio Target	\$56,609,496
Actuarial Value of Assets	\$45,754,929
Liabilities Subject to Amortization	\$10,854,567
Amortization Period	21 years
Amortization Payment, Beginning of Year	\$677,649

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:

Brad Lee Armstrong (Enrolled Actuary #17-5614)  
Lance Weiss (Enrolled Actuary #17-2468)  
GRS

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, 2018	\$42,847,462
Benefit payments during fiscal year 2019	(1,950,870)
Administrative expense during fiscal year 2019	(49,344)
Total contributions during fiscal year 2019	2,765,442
Expected return during fiscal year 2019	2,809,955
Expected market value of assets as of April 30, 2019	\$46,422,645

Actual market value of assets as of April 30, 2019	\$46,046,589
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Investment gain/(loss) during the fiscal year	(\$376,056)
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#### Development of Actuarial Value of Assets (market value less unrecognized amounts):

Market value of assets as of April 30, 2019	\$46,046,589
Unrecognized gain/(loss) from fiscal 2019	(300,845)
Unrecognized gain/(loss) from fiscal 2018	531,687
Unrecognized gain/(loss) from fiscal 2017	627,581
Unrecognized gain/(loss) from fiscal 2016	(566,763)
Actuarial value of assets as of April 30, 2019	\$45,754,929

### 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, 2019.	\$1,383,225
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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 21 years as prescribed by Section 3-125 of the Illinois Pension Code.	\$677,649
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Interest to the end of the fiscal year.	\$133,957
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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. *	\$2,194,831
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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.



# ROMEDEVILLE 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	6.50%
Interest rate, prior fiscal year	6.50%
Healthy mortality rates - Male	RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Healthy mortality rates - Female	RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Disability mortality rates - Male	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, males
Disability mortality rates - Female	115% of RP-2014 Healthy Annuitant with Blue Collar Adjustment, females
Decrements other than mortality	Experience tables
Rate of service-related deaths	10%
Rate of service-related disabilities	60%
Salary increases	Service-related table with rates grading from 11.00% to 3.50% at 33 years of service
Payroll growth	3.50%
Tier 2 cost-of-living adjustment	1.25%
Marital assumptions for active members	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.

Additional critical information regarding actuarial assumptions and methods, and important actuarial disclosures are provided in the Actuarial Valuation Report Disclosures Document located on the following Illinois DOI Website (<https://insurance.illinois.gov/Applications/Pension/FOIAReporting/FOIAPortal.aspx>)