

CITY OF ROCHELLE
POLICE PENSION FUND

ACTUARIAL VALUATION
AS OF MAY 1, 2016

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED APRIL 30, 2018

October 31, 2016

Board of Trustees
Rochelle Police Department
Police Pension Fund
416 N. 6th Street
Rochelle, IL 61068

Re: City of Rochelle Police Pension Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Rochelle Police Pension Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year. Please note that this valuation may not be applicable for any other purposes.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Article 3, Illinois Pension Code, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

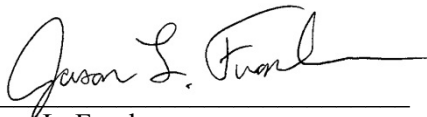
The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Rochelle, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Rochelle Police Pension Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 630-620-0200.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Jason L. Franken
Enrolled Actuary #14-6888

JLF/lke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Rochelle Police Pension Fund, performed as of May 1, 2016, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended April 30, 2018.

The contribution requirements, compared with those set forth in the May 1, 2015 actuarial report, as prepared by Lauterbach & Amen, LLP, are as follows:

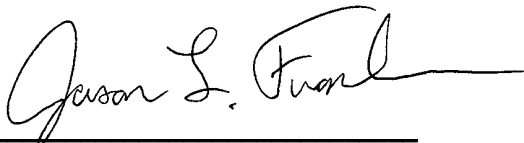
Valuation Date	5/1/2016	5/1/2015
Applicable Plan/Fiscal Year End	<u>4/30/2018</u>	<u>4/30/2017</u>
Total Required Contribution	\$770,570	\$527,434
% of Total Annual Payroll	57.1%	38.0%
Member Contributions (Est.)	133,776	137,626
% of Total Annual Payroll	9.91%	9.91%
City Required Contribution	636,794	389,808
% of Total Annual Payroll	47.2%	28.1%

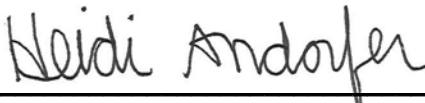
The overall actuarial experience during the year has been less favorable than expected on the basis of the Plan’s actuarial assumptions. The primary sources of unfavorable experience include investment return of 2.42% (Actuarial Asset basis) which was lower than the 6.75% assumption, no active terminations, and an active retirement. However, the primary source of the contribution increase is attributable to a change in the assumptions.

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Jason L. Franken, FSA, EA, MAAA

By: 
Heidi E. Andorfer, FSA, EA, MAAA

Plan Changes Since Prior Valuation

No plan changes have occurred since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

The following assumption changes have been implemented since the prior valuation:

- The healthy lives mortality table was updated from the Lauterbach & Amen mortality table to the RP-2000 Combined Healthy mortality table with a blue collar adjustment projected to the valuation date with Scale BB.
- The disabled lives mortality table was updated from the Lauterbach & Amen mortality table to the RP-2000 Disabled Retiree mortality table projected to the valuation date with Scale BB.
- The retirement, disability and termination rates were all updated from the Lauterbach & Amen tables to the tables developed in the 2012 assumption study from the Department of Insurance.
- The salary scale was updated from the Lauterbach & Amen table to the table developed in the 2012 assumption study from the Department of Insurance.
- The CPI-U was updated from 3.00% down to 2.50%. This assumption is used to determine the cost-of-living adjustment for Tier 2.

The following method was changed since the prior valuation:

- The administrative expenses have been included to determine the annual contribution to the fund.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Asmp/Mthd <u>5/1/2016</u>	Old Asmp/Mthd <u>5/1/2016</u>	<u>5/1/2015</u> ¹
A. Participant Data			
Number Included			
Actives	19	19	20
Service Retirees	11	11	11
Beneficiaries	7	7	6
Disability Retirees	0	0	0
Terminated Vested	<u>1</u>	<u>1</u>	<u>0</u>
Total	38	38	37
Total Annual Payroll	\$1,349,905	\$1,349,905	\$1,388,760
Payroll Under Assumed Ret. Age	1,349,905	1,349,905	1,388,760
Annual Rate of Payments to:			
Service Retirees	551,198	551,198	584,364
Beneficiaries	297,407	297,407	199,304
Disability Retirees	0	0	0
Terminated Vested	0	0	0
B. Assets			
Actuarial Value	11,215,215	11,215,215	11,304,663
Market Value	10,160,860	10,160,860	10,802,351
C. Liabilities			
Present Value of Benefits			
Actives			
Retirement Benefits	7,522,159	7,328,581	N/A
Disability Benefits	886,307	799,522	N/A
Death Benefits	171,732	171,352	N/A
Vested Benefits	958,360	424,735	N/A
Service Retirees	8,099,090	7,230,214	N/A
Beneficiaries	3,188,673	2,764,015	N/A
Disability Retirees	0	0	N/A
Terminated Vested	<u>28,835</u>	<u>28,835</u>	<u>N/A</u>
Total	20,855,156	18,747,254	N/A

¹ Values reported for 5/1/2015 are consistent with the report issued by Lauterbach & Amen, LLP.

C. Liabilities - (Continued)	New Asmp/Mthd <u>5/1/2016</u>	Old Asmp/Mthd <u>5/1/2016</u>	<u>5/1/2015</u> ¹
Present Value of Future Salaries	14,753,854	14,543,817	N/A
Present Value of Future Member Contributions	1,462,107	1,441,292	N/A
Normal Cost (Retirement)	270,132	240,202	N/A
Normal Cost (Disability)	51,967	54,372	N/A
Normal Cost (Death)	8,489	7,102	N/A
Normal Cost (Vesting)	<u>50,109</u>	<u>23,918</u>	<u>N/A</u>
Total Normal Cost	380,697	325,594	285,666
Present Value of Future Normal Costs	3,818,829	3,260,280	N/A
Accrued Liability (Retirement)	4,708,455	4,825,984	N/A
Accrued Liability (Disability)	344,040	273,681	N/A
Accrued Liability (Death)	98,485	108,400	N/A
Accrued Liability (Vesting)	568,749	255,845	N/A
Accrued Liability (Inactives)	<u>11,316,598</u>	<u>10,023,064</u>	<u>N/A</u>
Total Actuarial Accrued Liability	17,036,327	15,486,974	15,181,931
Unfunded Actuarial Accrued Liability (UAAL)	5,821,112	4,271,759	3,877,268
Funded Ratio (AVA / AL)	65.83%	72.42%	74.46%
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	11,316,598	10,023,064	N/A
Actives	495,452	356,982	N/A
Member Contributions	<u>1,196,801</u>	<u>1,196,801</u>	<u>N/A</u>
Total	13,008,851	11,576,847	N/A
Non-vested Accrued Benefits	<u>609,059</u>	<u>584,992</u>	<u>N/A</u>
Total Present Value Accrued Benefits	13,617,910	12,161,839	N/A
Funded Ratio (MVA / PVAB)	74.61%	83.55%	N/A
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	N/A	
Assumption Changes	1,456,071	N/A	
New Accrued Benefits	0	N/A	
Benefits Paid	0	N/A	
Interest	0	N/A	
Other	<u>0</u>	<u>N/A</u>	
Total	1,456,071	N/A	

¹ Values reported for 5/1/2015 are consistent with the report issued by Lauterbach & Amen, LLP.

	New Asmp/Mthd	Old Asmp/Mthd	
Valuation Date	5/1/2016	5/1/2016	5/1/2015
Applicable to Fiscal Year Ending	<u>4/30/2018</u>	<u>4/30/2018</u>	<u>4/30/2017</u>

E. Pension Cost

Normal Cost (with interest)	\$406,394	\$347,572	\$304,948
% of Total Annual Payroll ¹	30.1	25.7	22.0
Administrative Expenses (with interest)	20,265	0 ²	0 ²
% of Total Annual Payroll ¹	1.5	0.0	0.0
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 24 years (as of 5/1/2016, with interest)	343,911	252,375	222,486
% of Total Annual Payroll ¹	25.5	18.7	16.0
Total Required Contribution	770,570	599,947 ²	527,434 ²
% of Total Annual Payroll ¹	57.1	44.4	38.0
Expected Member Contributions	133,776	133,776	137,626
% of Total Annual Payroll ¹	9.91	9.91	9.91
Expected City Contribution	636,794	466,171 ²	389,808 ²
% of Total Annual Payroll ¹	47.2	34.5	28.1

F. Past Contributions

Plan Years Ending:	<u>4/30/2016</u>
Total Required Contribution	504,051
City	366,575
Actual Contributions Made:	
Members (excluding buyback)	137,476
City	<u>360,627</u>
Total	498,103

G. Net Actuarial (Gain)/Loss 347,541

¹ Contributions developed as of 5/1/2016 are expressed as a percentage of total annual payroll at 5/1/2016 of \$1,349,905.

² Values reported for 5/1/2015 are consistent with the report issued by Lauterbach & Amen, LLP, which did not consider the administrative expenses as part of the minimum calculation.

H. Schedule Illustrating the Amortization of the Total Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Unfunded Accrued Liability</u>
2016	5,821,112
2017	5,870,126
2018	5,908,691
2024	5,842,421
2029	5,196,445
2035	3,223,288
2040	0

I. (i) 3 Year Comparison of Actual and Assumed Salary Increases

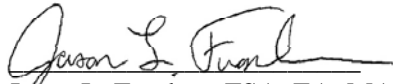
		<u>Actual</u>	<u>Assumed</u>
Year Ended	4/30/2016	4.52%	3.96%
Year Ended	4/30/2015	N/A	N/A
Year Ended	4/30/2014	N/A	N/A

(ii) 3 Year Comparison of Investment Return on Actuarial Value

		<u>Actual</u>	<u>Assumed</u>
Year Ended	4/30/2016	2.42%	6.75%
Year Ended	4/30/2015	4.30%	6.75%
Year Ended	4/30/2014	N/A	N/A

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of the Illinois Pension Code and adhere to the Actuarial Standards of Practice. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #14-6888

DEVELOPMENT OF MAY 1, 2016 AMORTIZATION PAYMENT

(1) Unfunded Actuarial Accrued Liability as of May 1, 2015	\$3,877,268
(2) Sponsor Normal Cost developed as of May 1, 2015	148,040
(3) Expected administrative expenses for the year ended April 30, 2016	0
(4) Expected interest on (1), (2) and (3)	271,708
(5) Sponsor contributions to the System during the year ended April 30, 2016	360,627
(6) Expected interest on (5)	12,171
(7) Expected Unfunded Actuarial Accrued Liability ¹ as of April 30, 2016, (1)+(2)+(3)+(4)-(5)-(6)	3,924,218
(8) Change to UAAL due to Assumption Change	1,549,353
(9) Change to UAAL due to Actuarial (Gain)/Loss	347,541
(10) Unfunded Accrued Liability as of May 1, 2016	5,821,112

<u>Date</u> <u>Established</u>	<u>Years</u> <u>Remaining</u>	<u>5/1/2016</u> <u>Amount</u>	<u>Amortization</u> <u>Amount</u>
5/1/2016	24	5,821,112	322,165

¹ Components of the Expected Unfunded Actuarial Accrued Liability shown (Items 1 through 6) are consistent with the report issued by Lauterbach & Amen, LLP.

PROJECTION OF BENEFIT PAYMENTS

Year	Payments for Current Actives	Payments for Current Inactives	Total Payments
2016	6,406	871,936	878,342
2017	11,654	852,304	863,958
2018	17,435	860,877	878,312
2019	31,260	874,652	905,912
2020	46,387	883,233	929,620
2021	59,308	890,773	950,081
2022	108,337	897,098	1,005,435
2023	162,321	902,037	1,064,358
2024	220,119	905,413	1,125,532
2025	285,748	906,991	1,192,739
2026	373,144	906,563	1,279,707
2027	455,509	903,926	1,359,435
2028	527,847	898,878	1,426,725
2029	602,562	891,203	1,493,765
2030	666,530	880,695	1,547,225
2031	747,797	867,240	1,615,037
2032	818,296	850,756	1,669,052
2033	888,207	831,181	1,719,388
2034	975,542	808,470	1,784,012
2035	1,082,628	782,699	1,865,327
2036	1,183,634	753,880	1,937,514
2037	1,264,501	722,181	1,986,682
2038	1,347,188	687,860	2,035,048
2039	1,428,678	651,175	2,079,853
2040	1,512,535	612,465	2,125,000
2041	1,575,725	572,176	2,147,901
2042	1,631,658	530,817	2,162,475
2043	1,690,680	488,824	2,179,504
2044	1,765,385	446,801	2,212,186
2045	1,830,522	405,313	2,235,835
2046	1,869,858	364,903	2,234,761
2047	1,904,760	326,213	2,230,973
2048	1,935,520	289,680	2,225,200
2049	1,961,333	255,569	2,216,902
2050	1,982,954	224,181	2,207,135
2051	2,000,021	195,564	2,195,585
2052	2,012,453	169,603	2,182,056
2053	2,019,553	146,268	2,165,821
2054	2,020,965	125,460	2,146,425
2055	2,016,272	106,949	2,123,221

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate	RP-2000 Combined Healthy mortality table with a blue collar adjustment projected to the valuation date with Scale BB.
Disabled Mortality Rate	RP-2000 Disabled Retiree mortality table projected to the valuation date with Scale BB. Based on studies of public safety pension plans, we believe this assumption sufficiently accommodates expected future mortality improvements.
Interest Rate	6.75% per year compounded annually, net of investment related expenses.
Retirement Age	See table below. This is based on an experience study performed in 2012.
Disability Rate	See table below. 70% of the disabilities are assumed to be in the line of duty. This is based on an experience study performed in 2012.
Termination Rate	See table below. This is based on an experience study performed in 2012.
Salary Increases	Graded schedule based on service. This is based on an experience study performed in 2012.

Service	Increase
0	11.00%
1	10.00%
2	9.00%
3	8.00%
4	8.00%
5	7.00%
6	6.00%
7	5.50%
8 - 14	5.00%
15 - 29	4.50%
30	4.00%

Payroll Growth	4.00% per year.
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Cost-of-Living Adjustment

Tier 1: 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.

Tier 2: 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.

Administrative Expenses

Expenses paid out of the fund other than investment-related expenses are assumed to be equal to those paid in the previous year.

Marital Status

80% of Members are assumed to be married.

Spouse's Age

Males are assumed to be three years older than females.

<u>% Terminating During the Year</u>		<u>% Becoming Disabled During the Year</u>		<u>% Retiring During the Year ¹</u>	
<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>	<u>Age</u>	<u>Rate</u>
15 - 24	10.00%	20	0.05%	<=49	0%
25	7.50%	25	0.05%	50 - 54	20%
26 - 27	6.25%	30	0.22%	55 - 59	25%
28 - 31	5.00%	35	0.26%	60 - 62	33%
32 - 34	4.00%	40	0.40%	63 - 69	50%
35 - 37	3.00%	45	0.65%	>=70	100%
38 - 49	2.00%	50	0.95%		
>=50	3.50%	55	1.30%		
		60	1.65%		
		65	2.00%		

¹ The retirement rates for Tier 2 Members are the same as for Tier 1 Members shown above except there is a 0% probability of retirement until age 55.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

Investment gains and losses are smoothed over a 5-year period.

Amortization Method

Level Percentage of Payroll over a period ending on April 30, 2040, targeting an Accrued Liability funded percentage of 100%.

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year following the valuation date of all covered members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Accrued Liability is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service.

Total Required Contribution is equal to the Normal Cost plus an amount sufficient to amortize the Unfunded Accrued Liability to achieve a 100% funded ratio by 2040. The required amount is adjusted for interest according to the timing of contributions during the year.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

- (a) The normal cost accrual rate equals:
 - (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
 - (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.
- (b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.
- (c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.
- (d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

STATEMENT OF FIDUCIARY NET POSITION
April 30, 2016

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Cash and Short-Term Investments	223,287
Total Cash and Equivalents	223,287
Receivables:	
Accrued Interest	19,673
Total Receivable	19,673
Investments:	
U.S. Agency Securities	694,462
U.S. Treasury Securities	1,188,549
Equities	1,231,751
Corporate Bonds	1,494,986
Equity Mutual Funds	5,308,152
Total Investments	9,917,900
Total Assets	10,160,860
<u>LIABILITIES</u>	
Total Liabilities	0
Net Assets:	
Active and Retired Members' Equity	10,160,860
NET POSITION RESTRICTED FOR PENSIONS	10,160,860
TOTAL LIABILITIES AND NET ASSETS	10,160,860

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
 FOR THE YEAR ENDED April 30, 2016
 Market Value Basis

ADDITIONS

Contributions:

Member	137,476
City	360,627

Total Contributions	498,103
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Investment Income:

Net Increase in Fair Value of Investments	(509,710)
Interest & Dividends	290,112
Less Investment Expense ¹	(63,486)

Net Investment Income	(283,084)
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Total Additions	215,019
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DEDUCTIONS

Distributions to Members:

Benefit Payments	837,526
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Total Distributions	837,526
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Administrative Expenses	18,984
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Total Deductions	856,510
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Net Increase in Net Position	(641,491)
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NET POSITION RESTRICTED FOR PENSIONS

Beginning of the Year	10,802,351
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End of the Year	10,160,860
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¹ Investment Related expenses include investment advisory, custodial and performance monitoring fees.

ACTUARIAL ASSET VALUATION

April 30, 2016

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of the Market Value of Assets.

Plan Year Ending	Gain/(Loss)	Gains/(Losses) Not Yet Recognized				
		Amounts Not Yet Recognized by Valuation Year				
		2016	2017	2018	2019	2020
4/30/2013	(127,628)	(25,526)	0	0	0	0
4/30/2014	(211,603)	(84,641)	(42,321)	0	0	0
4/30/2015	(240,118)	(144,071)	(96,047)	(48,024)	0	0
4/30/2016	(1,000,146)	(800,117)	(600,088)	(400,058)	(200,029)	0
Total		(1,054,355)	(738,456)	(448,082)	(200,029)	0

Development of Investment Gain/Loss

Market Value of Assets, 4/30/2015	10,802,351
Contributions Less Benefit Payments & Administrative Expenses	(358,407)
Expected Investment Earnings ¹	717,062
Actual Net Investment Earnings	<u>(283,084)</u>
2016 Actuarial Investment Gain/(Loss)	(1,000,146)

¹ Expected Investment Earnings = 6.75% x (10,802,351 + 0.5 x -358,407)

Development of Actuarial Value of Assets

Market Value of Assets, 4/30/2016	10,160,860
(Gains)/Losses Not Yet Recognized	<u>1,054,355</u>
Actuarial Value of Assets, 4/30/2016	11,215,215
(A) 4/30/2015 Actuarial Assets:	11,304,663
(I) Net Investment Income:	
1. Interest and Dividends	290,112
2. Realized Gains (Losses)	0
3. Change in Actuarial Value	42,333
4. Investment Expenses	<u>(63,486)</u>
Total	268,959
(B) 4/30/2016 Actuarial Assets:	11,215,215
Actuarial Asset Rate of Return = (2 x I) / (A + B - I):	2.42%
Market Value of Assets Rate of Return:	-2.66%
4/30/2016 Limited Actuarial Assets:	11,215,215
Actuarial Gain/(Loss) due to Investment Return (Actuarial Asset Basis)	(482,010)

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
 April 30, 2016
 Actuarial Asset Basis

INCOME		
Contributions:		
Member	137,476	
City	360,627	
Total Contributions		498,103
Earnings from Investments		
Interest & Dividends	290,112	
Change in Actuarial Value	42,333	
Total Earnings and Investment Gains		332,445
EXPENSES		
Administrative Expenses:		
Investment Related ¹	63,486	
Other	18,984	
Total Administrative Expenses		82,470
Distributions to Members:		
Benefit Payments	837,526	
Total Distributions		837,526
Change in Net Assets for the Year		(89,448)
Net Assets Beginning of the Year		11,304,663
Net Assets End of the Year ²		11,215,215

¹ Investment Related expenses include investment advisory, custodial and performance monitoring fees.

² Net Assets may be limited for actuarial consideration.

STATISTICAL DATA ¹

	<u>5/1/2013</u>	<u>5/1/2014</u>	<u>5/1/2015</u>	<u>5/1/2016</u>
<u>Actives - Tier 1</u>				
Number	N/A	N/A	N/A	16
Average Current Age	N/A	N/A	N/A	40.0
Average Age at Employment	N/A	N/A	N/A	27.5
Average Past Service	N/A	N/A	N/A	12.5
Average Annual Salary	N/A	N/A	N/A	\$73,972
<u>Actives - Tier 2</u>				
Number	N/A	N/A	N/A	3
Average Current Age	N/A	N/A	N/A	31.0
Average Age at Employment	N/A	N/A	N/A	28.7
Average Past Service	N/A	N/A	N/A	2.3
Average Annual Salary	N/A	N/A	N/A	\$55,453
<u>Service Retirees</u>				
Number	N/A	11	11	11
Average Current Age	N/A	N/A	N/A	66.1
Average Annual Benefit	N/A	\$50,673	\$53,124	\$50,109
<u>Beneficiaries</u>				
Number	N/A	6	6	7
Average Current Age	N/A	N/A	N/A	65.8
Average Annual Benefit	N/A	\$33,217	\$33,217	\$42,487
<u>Disability Retirees</u>				
Number	N/A	0	0	0
Average Current Age	N/A	N/A	N/A	N/A
Average Annual Benefit	N/A	N/A	N/A	N/A
<u>Terminated Vested</u>				
Number	N/A	0	0	1
Average Current Age	N/A	N/A	N/A	39.9
Average Annual Benefit	N/A	N/A	N/A	N/A ²

¹ Foster & Foster does not have enough historical data to include complete data prior to 5/1/2016. We will add historical data going forward.

² Average Annual Benefit for Terminated Vested members reflects the benefit for members entitled to a future annual benefits from the plan. The terminated vested member for the 5/1/2016 valuation is due accumulated contributions only.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	0	0	0	0	0	0	0	0	0	0	0	0
25 - 29	0	1	0	0	0	0	0	0	0	0	0	1
30 - 34	0	1	0	0	0	4	1	0	0	0	0	6
35 - 39	0	0	0	0	0	1	1	0	0	0	0	2
40 - 44	0	0	0	0	0	0	3	3	0	0	0	6
45 - 49	0	0	0	0	0	0	3	0	0	0	0	3
50 - 54	0	0	0	0	0	0	0	1	0	0	0	1
55 - 59	0	0	0	0	0	0	0	0	0	0	0	0
60 - 64	0	0	0	0	0	0	0	0	0	0	0	0
65+	0	0	0	0	0	0	0	0	0	0	0	0
Total	0	2	0	0	0	5	8	4	0	0	0	19

VALUATION PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 5/1/2015	20
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	0
iii. Transferred service to other fund	0
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	<u>(1)</u>
f. Continuing participants	19
g. New entrants	<u>0</u>
h. Total active life participants in valuation	19

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving <u>Benefits</u>	Receiving Death <u>Benefits</u>	Receiving Disability <u>Benefits</u>	Vested <u>Deferred</u>	<u>Total</u>
a. Number prior valuation	11	6	0	0	17
Retired	1	0	0	0	1
Vested Deferred	0	0	0	0	0
Death, With Survivor	(1)	1	0	0	0
Death, No Survivor	0	0	0	0	0
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Expired Annuities	0	0	0	0	0
Data Corrections	0	0	0	1	1
Hired/Termed in Same Year	0	0	0	0	0
b. Number current valuation	11	7	0	1	19

SUMMARY OF CURRENT PLAN

Article 3 Pension Fund

The Plan is established and administered as prescribed by “Article 3. Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code.

Credited Service

Complete years of service as a sworn police officer employed by the City.

Normal Retirement

Date

Tier 1: Age 50 and 20 years of Credited Service.

Tier 2: Age 55 with 10 years of service.

Benefit

Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,000 per month.

Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

Form of Benefit

Tier 1: For married retirees, an annuity payable for the life of the Member; upon the death of the member, 100% of the Member’s benefit payable to the spouse until death. For unmarried retirees, the normal form is a Single Life Annuity.

Tier 2: Same as above, but with 66 2/3% of benefit continued to spouse.

Cost-of-Living Adjustment

Tier 1: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55

Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension start date whichever is later.

Disability Benefit

Eligibility

Total and permanent as determined by the Board of Trustees.

Benefit Amount

A maximum of:

- a.) 65% of salary attached to the rank held by Member on last day of service, and;
- b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately.

For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

Pre-Retirement Death Benefit

Service Incurred

100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred

A maximum of:

- a.) 50% of salary attached to the rank held by Member on last day of service, and;
- b.) The monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

For non-service deaths with less than 10 years of service, a refund of member contributions is provided.

Contributions

Employee

9.91% of Salary.

City

Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over a period ending in 2040.

Vesting (Termination)

Vesting Service Requirement

Tier 1: 8 years.

Tier 2: 10 years.

Non-Vested Benefit

Refund of Member Contributions.

Vested Benefit

Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions. The termination benefit is 2.50% of annual salary held in the year prior to termination (8-year final average salary for Tier 2) times creditable service.

Board of Trustees

The Board consists of two members appointed by the City, two active Members of the Police Department elected by the Membership and one retired Member of the Police Department elected by the Membership.