cc: D. Plyman
C. Frye
B. McKinney

REIMER & KARLSON LLC

A PUBLIC SAFETY LAW FIRM

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OF COUNSEL
ROBERT W. TREVARTHEN

RECEIVED
NOV 12 2013

November 6, 2013

Honorable Chet Olson, Mayor
City of Rochelle
420 N. 6th St.
P.O. Box 601
Rochelle, IL 61068

By Certified Return Receipt Mail

Re: Rochelle Police Pension Fund-Annual Tax Levy Requirements

Dear Mayor Olson:

Please be advised that the undersigned is legal counsel for the Rochelle Police Pension Fund. At the November 5, 2013, Pension Board meeting, the Pension Board Trustees discussed the annual tax levy/municipal contribution requirements for the Pension Fund for the upcoming tax year. As you are aware, the Pension Board either relies on actuarial valuation performed by the Illinois Department of Insurance or an independent actuary employed by the Pension Board.

In this case, the Pension Board relied upon the Actuarial Valuation of Art Tepfer, an independent actuary retained by the Pension Board, for purposes of determining the "recommended levy". Mr. Tepfer's recommended levy for the upcoming tax year, in order to satisfy the annual requirements of the Rochelle Pension Fund, as required by §5/3-125 of the Pension Code, is $288,257.00. A copy of Mr. Tepfer's Report is attached for your review.

Accordingly, pursuant to §5/3-125 of the Pension Code, the Rochelle Police Pension Board is requesting that the City of Rochelle levy or contribute that amount for the upcoming tax year in order to satisfy the annual requirements of the Rochelle Police Pension Fund. In the event that the City will not be levying or contributing this amount, please advise me.

In addition, pursuant to §5/3-143 of the Pension Code, enclosed is copy of the Pension Board's "Municipal Compliance Report".

Thank you for your anticipated cooperation and assistance in this matter. Please do not hesitate to contact the undersigned should you have any questions concerning this matter.

Very truly yours,

Brian J. LaBardi

cc: Officer Jason Goodwin, President
Rochelle Police Pension Board

REQUIRED REPORTING TO MUNICIPALITY BY PENSION BOARD

As of 4/30/2013 fiscal year end

(40 ILCS 5/3-143) (from Ch. 108 1/2, par. 3-143)
Sec. 3-143. Report by pension board.
The pension board shall report annually to the city council or board of trustees of the municipality on the condition of the pension fund at the end of its most recently completed fiscal year. The report shall be made prior to the council or board meeting held for the levying of taxes for the year for which the report is made.

1.
Total Trust Assets (see attachment 1 for complete listing)

Total Assets (market value):	**$10,750,600**
Actuarial Value of Assets (see item 8 for explanation):	**$11,184,003**

2.
Estimated receipts during the next succeeding fiscal year from:

Participant Contributions deducted from payroll:	**$134,931**
Employer Contributions and all other sources:	**$227,980**

3.
Estimated amount required during the next succeeding fiscal year to:

(a) pay all pensions and other obligations provided in this Article:	**$718,673**
(b) meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:	**$362,911**

4.

Total Net Income received from investment of net assets:	**$708,378**
Assumed Investment Return:	**7.25%**
Actual Investment Return:	**5.87%**
Total Net Income received from investment of net assets (FYE 4/30/2012):	**$116,292**
Assumed Investment Return (FYE 4/30/2012):	**7.25%**
Actual Investment Return (FYE 4/30/2012):	**(0.21)%**

5.

Total number of Active Employees that are financially contributing to the fund:	**21**

6.
Disbursements to:

(i) Annuitants in receipt of a regular retirement pension:	
Total number of annuitants:	**11**
Total amount that was disbursed in benefits:	**$541,870**
(ii) Recipients being paid a disability pension:	
Total number of annuitants:	**0**
Total amount that was disbursed in benefits:	**$ 0**
(iii) Survivors and children in receipt of benefits:	
Total number of annuitants:	**6**
Total amount that was disbursed in benefits:	**$165,998**

7.
Funded ratio of the fund: **84.87%**

8.
Unfunded Actuarial Accrued Liability: **$1,994,250**

The Unfunded Actuarial Accrued Liability is the excess of the Actuarial Accrued Liability over the Actuarial Value of Assets.

The Actuarial Accrued Liability is the portion of the present value of future plan benefits reflecting projected credited service and salaries determined by the actuarial cost method based upon the plan's actuarial assumptions and not provided for at a valuation date by the actuarial present value of future normal costs. The normal cost is the portion of this present value which is allocated to the current valuation year.

The Actuarial Value of Assets is the asset value derived by using the plan's asset valuation method which is a method designed to smooth random fluctuations in asset values. The objective underlying the use of an asset valuation method is to provide for the long-term stability of municipal contributions.

9.
Investment Policy of the pension board under the statutory investment restrictions imposed on the fund. (See attachment 2)

Certification

I, Jason Goodwin, President of the Rochelle Police Pension Board, City of Rochelle, Ogle County, Illinois, do hereby certify that this document is a true and correct copy of: "Required Reporting to Municipality By Pension Board" as outlined in 40 ILCS 5/3-143.

Witness my hand this 5th day of May, 2013.

Jason Goodwin
President of Rochelle Police Pension Board

Source: P.A. 95-950, eff. 8-29-08

CITY OF ROCHELLE
POLICE PENSION FUND

ACTUARIAL VALUATION
AS OF MAY 1, 2013 FOR THE
FISCAL YEAR ENDING APRIL 30, 2014

October 24, 2013

ACTUARIAL STATEMENT

Tepfer Consulting Group, Ltd. was retained by the **City of Rochelle Police Pension Fund** to perform an independent actuarial valuation for the Police Pension Fund. This valuation is permitted under 40 ILCS 5/22, Section 503.2.

The actuarial valuation was performed for the year ended April 30, 2014 and indicates a **statutorily required contribution in accordance with 40 ILCS 5/3, Section 125 of $227,980 or 16.10% of member payroll, a recommended minimum contribution of $288,257 or 20.36% of payroll, and an Annual Required Contribution in accordance with paragraph 36f of Statement No. 25 of the Governmental Accounting Standards Board of $324,163 or 22.89% of payroll.** These contributions are net of contributions made by active member police officers during the fiscal year.

The results shown in this report have been calculated under the supervision of a qualified Actuary as defined in appropriate State statutes. All results are based upon demographic data submitted by the Police Pension Fund, financial data submitted by the Police Pension Fund, applications of actuarial assumptions, and generally accepted actuarial methods.

In our opinion, all calculations and procedures are in conformity with generally accepted actuarial principles and practices; and the results presented comply with the requirements of the applicable State statute, Actuarial Standards Board, or Statements of Governmental Accounting Standards, as applicable.

In our opinion, the actuarial assumptions used are reasonable, taking into account the experience of the plan and future expectations, and represent a reasonable and adequate approach to the financing of the retirement program. The costs, actuarial liabilities and other information presented in this report, in our opinion, fully and fairly disclose the actuarial position of the plan.

I, Arthur H. Tepfer, am an Enrolled Actuary in good standing under the Employee Retirement Income Security Act of 1974. I am a member of the American Academy of Actuaries and I meet the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein. I certify that the results presented in this report are accurate and correct to the best of my knowledge.

TCG PUBLIC CONSULTING, LTD.

Arthur H. Tepfer, A.S.A., M.A.A.A.
Enrolled Actuary #11-02352

October 24, 2013

VALUATION OBJECTIVES

The **City of Rochelle Police Pension Fund** provides benefits to members when they retire, die, become disabled or terminate employment. For plans providing these types of benefits, an appropriate budgeting pattern must be established to enable appropriate funds to be accumulated to meet all payments when due. The actual cost of the plan can best be expressed in the following simplistic manner:

ACTUAL COST EQUALS

Benefits Paid

Plus

Expenses Paid

Less

Investment Income Earned

If the actual cost is incurred on a "pay as you go" basis, then the future generations of members will be paying for the benefits of current plan participants. Proper financial planning calls for budgeting for the actual cost of the plan over the working lifetime of current plan membership in order to establish an equitable allocation. An actuarial valuation is the procedure used to determine an appropriate amount to be contributed to the pension plan each year in order to attain this equity.

An actuarial valuation is an estimate at a particular point in time of the assumed incidence of the future benefit costs. Since the total actual cost of the plan is essentially unknown, pre-funding (budgeting for future benefit costs) requires certain assumptions about future events. Assumptions are made for such things as salary increases, terminations of participants, disablement of participants, death of participants and anticipated investment earnings. These assumptions, although not affecting the actual costs of the plan, will affect the incidence of calculated future costs. For proper funding, it is required that the Actuary select assumptions which are appropriate in light of the economic, demographic, and legislative environment as they relate to the pension program. The assumptions we have made concerning these future events are described more fully in Appendix 2 of this report. Based on these assumptions, a projection of future benefits was made and a current contribution level sufficient to provide the anticipated benefit payments was determined through the use of an actuarial cost method.

Selection of the Actuarial Cost Method

An actuarial cost method, sometimes called a "funding method", therefore, is essentially an approach to budgeting for the calculated future costs. There are many actuarial cost methods which are available to the actuary and each method operates differently. However, all funding methods accomplish the same objective—to assign to each fiscal year of the employer the portion assumed to have accrued in that year. The portion of the actuarial value of benefits assigned to a particular year in respect of an individual participant or the fund as a whole is called the ***normal cost.*** All funding methods are described by how the normal cost is calculated.

The actuarial cost method prescribed by the State statutes to determine the ***statutorily minimum required contribution*** for periods on or after January 1, 2011 is the Projected Unit Credit Cost Method. Under this actuarial cost method, the ongoing cost expressed as a percentage of total payroll will increase. In this method, the normal cost is determined by first calculating the projected dollar amount of each participant's accumulated benefit under the plan as of both the first day of the fiscal year and as of the last day of the fiscal year and then determining the difference between these two amounts. The second step in deriving the normal cost for a given participant is to multiply the dollar amount of this difference by the actuarial present value of $1 of benefit.

The actuarial cost method selected by our firm to determine the ***recommended plan contribution*** is the Entry Age Normal Cost Method. Under this actuarial cost method, ideally, the ongoing cost expressed as a percentage of total payroll should remain fairly stable. In this method, the normal cost is determined by assuming each participant covered by the plan entered the plan under the same conditions that will apply to future plan entrants. The annual normal cost assigned to each year of an employee's career is calculated as a level percentage of the employees assumed earnings each year. These normal costs accumulate to the present value of the employee's benefit at retirement age.

VALUATION OBJECTIVES
(Continued)

Under both the Entry Age Normal Cost Method and the Projected Unit Credit Cost Method, the total funding of projected benefit costs is allocated between an ***unfunded liability***, representing past benefit history, and future normal costs. This allocation is based on the assumption that the municipality will pay the normal cost for each plan year on a regular basis. It should be noted that although the term "unfunded liability" is applied to both funding methods, the resulting amount is different because of the method of calculation. Another feature of these methods is that only the unfunded liability is affected by the experience of the plan, and, therefore, any adjustments are made only in the future amortization payments.

In addition to the methodology changes described above, P.A. 96-1495 also addressed the valuation of pension fund assets—the second component in the determination of the unfunded liability. The statute now provides that the actuarial value of a pension fund's assets be set equal to the market value of the assets on March 30, 2011 and that, in determining the actuarial value of assets after that date, any actuarial gains or losses from investment returns incurred in a fiscal year be recognized in equal amounts over the 5-year period following that fiscal year.

The actuarial valuation process is usually repeated each year and is to a certain extent self-correcting. As part of these actuarial cost methods, any deviation of actual experience from the chosen actuarial assumptions will be reflected in future contributions. A complete description of these actuarial cost methods is explained in Appendix 4 of this report.

Despite the statutory language which requires an application of the Projected Unit Credit method, we feel that funding under this method as a *level percentage of payroll* severely undermines the benefit security of the retirement system and transfers the payment for currently earned pensions to future generations of taxpayers. For these reasons, our valuation report also presents a recommended minimum contribution that will operate to maintain the fundamental fiscal soundness of the retirement program, although a statutorily required contribution has also been calculated. The calculation of the recommended minimum contribution is based upon an amortization payment of 90% of any unfunded accrued liabilities as a *level dollar amount* over 30 years from January 1, 2011, the effective date of P.A. 96-1495. The calculation of the statutorily required contribution is based upon an amortization payment of 90% of any unfunded accrued liabilities as a *"level percentage of payroll"* over 30 years from January 1, 2011, the effective date of P.A. 96-1495.

Although, I do not agree with the statutorily required level percentage of payroll methodology of determining the amortization of the unfunded accrued liability, I would be remiss if I did not advise my funds as to a "statutorily" acceptable calculation under the State law.

Effective for periods beginning after June 15, 1996, the Governmental Accounting Standards Board has issued Statement No. 25 "Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans". This Statement establishes a financial reporting framework for defined benefit pension plans that distinguishes between two categories of information: (a) current financial information about plan assets and financial activities and (b) actuarially determined information, from a long-term perspective, about the funded status of the plan and the progress being made in accumulating sufficient assets to pay benefits when due. The calculation of the Annual Required Contribution (ARC) is described in paragraph 36f of the Statement and is based upon an amortization payment of any unfunded accrued liabilities as either a level dollar amount or a level percentage of total payroll over a maximum of 40 years from the effective date of the Statement. Any significant increase in the total unfunded actuarial liability resulting from a change in actuarial methodology should be amortized over a period not less than 10 years.

Actuarial experience since the last actuarial valuation

As part of the actuarial valuation process, it is helpful to examine the actual experience of the fund as compared to the experience that is expected by the actuarial assumptions. The measurement of any deviations of actual to expected experience is commonly referred to as a "Gain and Loss Analysis". In performing this analysis, the actuary analyzes each actuarial assumption used in the valuation process. It is highly unlikely that actual experience will follow expected experience on a year-by-year basis. It is hoped that over the long term, if the actuarial assumptions are "reasonable", the total gains and losses will offset each other.

A "gain and loss analysis' is a useful tool to examine whether the actuarial assumptions used to determine the municipal tax levy are suitable. Care must be taken in placing too much credibility in a short-term analysis as the assumptions are more appropriately measured over the long term. Nonetheless, an annual evaluation of the actuarial assumptions will assist in identifying trends that, if unnoticed, can lead to inappropriate conclusions. When these trends are recognized, it is the actuary's responsibility to modify one or more of the assumptions to better anticipate future experience.

VALUATION OBJECTIVES
(Continued)

"Some assumptions are easier to measure than others. In small plans, credible analysis can generally be made regarding the economic (financial) assumptions. These primarily include investment and salary increase assumptions. Unfortunately, it is often impossible to establish credible long term analysis of demographic assumptions (rates of termination, disability, retirement and mortality). Therefore, in choosing demographic assumptions, the actuary generally relies upon standardized tabular assumptions modified only by fund-specific characteristics.

The actuarial gain and loss analysis for the current year is presented in Exhibit 3-C and 3-D of the report. Exhibit 3-C shows the impact of the actuarial gains or losses on the recommended minimum contribution through a reconciliation of this contribution from the end of the prior valuation year to the end of the current valuation year. Exhibit 3-D derives the actuarial gain or loss in total as well as separating the individual financial and demographic components.

The overall experience gain (loss) for the year was $244,291 or 1.85% of the accrued liability at the beginning of the plan year. The dollar amount for the plan's current **recommended minimum contribution** is 122.61% of the prior year's contribution. When measured as a percentage of payroll, the contribution level has changed from 17.90% to 20.36%.

Thirty-year Projection of Liabilities

The final section of our report illustrates projected payments from the Trust Fund for a 30-year period commencing with the valuation date. These projections are based upon the actuarial assumptions selected for the fund concerning death, disability and retirement actually occurring. Care should be taken in interpreting or relying on these results-- particularly for Funds with fewer than 200 participants. The credibility of this type of projection is rarely realized beyond 10 years. Exhibit 5D presents this projection.

RESULTS OF VALUATION

The following exhibits present the results of our actuarial valuation of the **City of Rochelle Police Pension Fund** for the fiscal year May 1, 2013 through April 30, 2014.

Exhibit 1 indicates that the recommended minimum contribution, calculated using the Entry Age Normal Cost method (EANC), from the City is $288,257 or 20.36% of total participating payroll. **Under the Entry Age Normal actuarial cost method selected, this percentage of payroll should remain reasonably level over the lifetime of the plan.**

Exhibit 1 also indicates that the statutory minimum contribution, calculated using the Projected Unit Credit method (PUC), from the City is $227,980 or 16.10% of total participating payroll. **Under the Projected Unit Credit actuarial cost method selected, this percentage of payroll should increase over the lifetime of the plan.**

Exhibits 2 and 3 provide specific information used to develop the recommended minimum and statutorily required City contribution and GASB Annual Required Contribution (ARC).. The Annual Required Contribution as of May 1, 2013 has been determined under the Governmental Accounting Standards Board Statement No. 25 and is required disclosure for the fiscal year ending April 30, 2014. The Entry Age Normal Cost and the Actuarial Accrued Liability were determined using the Entry Age Normal Cost Actuarial Cost Method.

The Entry Age Normal Cost has been determined as a level percentage of projected payroll of the active members of the group. The amortization method for the Unfunded Actuarial Accrued Liability is determined as a level percentage of payroll amount over a closed Amortization Period as permitted in Governmental Accounting Standards Board Statement No. 25.

Contribution amounts presented in this report have not been adjusted for interest to the date of payment. All values were determined on the basis of the actuarial assumptions and methods as more fully described in Appendix1 of this report.

Exhibit 4 presents a brief description of the demographic characteristics of the current member group.

Exhibit 5 shows information relating to the pension assets.

GENERAL VALUATION RESULTS FOR FISCAL YEAR
MAY 1, 2013 THROUGH APRIL 30, 2014

Recommended Minimum Contribution

1.	Entry Age Normal Cost:	$ 342,764
2.	Unfunded Actuarial Accrued Liability (or Surplus):	1,994,250
3.	Actuarial Value of Assets:	11,184,003
4.	Annual Salaries of Active Police Officers:	1,361,568
5.	Recommended Minimum Contribution from the City:	288,257
	Contribution Percentage:	20.36%*

Statutory Minimum Contribution

1.	Projected Unit Credit Normal Cost:	$ 339,169
2.	Unfunded Actuarial Accrued Liability (or Surplus):	978,257
3.	Actuarial Value of Assets:	11,184,003
4.	Annual Salaries of Active Police Officers:	1,361,568
5.	Statutory Minimum Contribution from the City:	227,980
	Contribution Percentage:	16.10%*

* Projected for the fiscal year ending April 30, 2014.

SUMMARY OF SPECIFIC VALUATION RESULTS

		Number	Actuarial Present Value of Projected Benefits	Entry Age Normal Cost	Projected Unit Credit Normal Cost
1.	Active Police Officers:	21			
	Retirement Pension:		$6,199,537	$241,231	$232,954
	Survivors Pension:		273,962	13,826	15,285
	Disability Pension:		1,190,019	64,575	68,330
	Withdrawal Pension:		318,905	23,132	22,600
	TOTAL	21	$7,982,423	$342,764	$339,169
2.	Inactive Police Officers and Survivors:				
	Normal Retirees:	11	$7,427,065		
	Widows (Survivors):	6	1,467,138		
	Children (Survivors):	0	0		
	Disabled Retirees:	0	0		
	Deferred Vested:	0	0		
	Terminated/Separated:	0	0		
TOTAL		17	$8,894,203		

SUMMARY OF SPECIFIC VALUATION RESULTS
(Continued)

		Entry Age Normal (EAN)	Projected Unit Credit (PUC)
3.	Total Actuarial Present Value of Projected Benefits:	$16,876,626	N/A
4.	Actuarial Present Value of Future Normal Costs:	3,698,373	N/A
5.	Actuarial Accrued Liability: [(3) - (4)]	13,178,253	12,162,260
6.	Actuarial Value of Assets:	11,184,003	11,184,003
7.	Unfunded Actuarial Accrued Liability (or Surplus) [(5) - (6)]	1,994,250	978,257
8.	Funded Ratio Percentage: [(6) ÷ (5)] x 100	84.87%	91.96%

HISTORY OF FUNDED PERCENTAGES

For the Year beginning May 1	Valuation Assets	EAN Accrued Liabilities	EAN Funded Percentage	PUC Accrued Liabilities	PUC Funded Percentage
2013	$11,184,003	$13,178,253	84.87%	$12,162,260	91.96%
2012	$11,083,685	$12,807,902	86.54%	$11,952,173	92.73%
2011	$11,004,676	$12,981,772	84.77%	$12,204,417	90.17%
2010	$10,637,699	$11,528,455	92.27%	N/A	N/A

DEVELOPMENT OF RECOMMENDED MINIMUM CITY CONTRIBUTION

		Fiscal Year May 1, 2013 through April 30, 2014
1.	Entry Age Normal Cost:	$342,764
2.	Recommended Minimum Payment to Amortize 90 % of the Entry Age Normal Unfunded Accrued Liability as a level dollar amount over 27.00068 Years from May 1, 2013:	52,739
3.	Interest on (1) and (2):	27,685
4.	Credit for Surplus:	0
5.	Total Recommended Minimum Contribution for Fiscal Year 2014: [(1) + (2) + (3) + (4)], but not less than Statutorily Required	423,188
6.	Active Member Contributions (9.91% of Salaries):	134,931
7.	Net Recommended Minimum City Contribution: [(5) - (6)]	288,257

DEVELOPMENT OF STATUTORILY REQUIRED CITY CONTRIBUTION
(NOTE THAT THIS CONTRIBUTION CALCULATION IS NOT RECOMMENDED)

		Fiscal Year May 1, 2013 through April 30, 2014
1.	Projected Unit Credit Normal Cost:	$339,169
2.	Minimum Payment to Amortize 90% of the Projected Unit Credit Unfunded Accrued Liability as a level percentage of payroll over 27.00068 Years from May 1, 2013:	0
3.	Interest on (1) and (2):	23,742
4.	Credit for Surplus:	0
5.	Total Statutorily Required Contribution for Fiscal Year 2014: [(1) + (2) + (3) + (4)]	362,911
6.	Active Member Contributions (9.91% of Salaries):	134,931
7.	Net Statutorily Required City Contribution: [(5) - (6)]	227,980

GASB STATEMENT NO. 25 DISCLOSURE INFORMATION

DEVELOPMENT OF THE ANNUAL REQUIRED CONTRIBUTION OF THE MUNICIPALITY

		Fiscal Year May 1, 2013 through April 30, 2014
1.	Entry Age Normal Cost	$342,764
2.	Actuarial Accrued Liability	13,178,253
3.	Actuarial Value of Assets	11,184,003
4.	Unfunded Actuarial Accrued Liability	1,994,250
5.	Payment to Amortize Unfunded Actuarial Accrued Liability Over 40 Years from Effective Date of Application of GASB 25 (24 years remaining)	116,330
6.	Total Annual Required Contribution for Fiscal Year April 30, 2014: [(1) + (5)]	459,094
7.	Active Member Contributions (9.91% of Salaries):	134,931
8.	Annual Required Contribution (ARC) payable at the beginning of the current fiscal year: [(6) - (7)]	324,163

RECONCILIATION OF THE CHANGE IN THE RECOMMENDED MINIMUM CITY CONTRIBUTION

1.	Recommended Minimum Contribution for Year ending 4/30/2013:	$235,099
2.	Increase in Normal Cost and Amortization Payment due to anticipated pay changes:	10,309
3.	Increase/(Decrease) in Normal Cost resulting from actual pay changes:	7,366
4.	Effect of Asset Smoothing:	16,463
5.	Increase/(Decrease) resulting from changes in assumptions:	10,022
6.	Increase/(Decrease) resulting from other demographic and financial sources (retirements, deaths, new entrants, salary changes, etc.):	8,998
7.	Recommended Minimum Contribution for Year ending April 30, 2014:	$ 288,257

DERIVATION OF EXPERIENCE GAIN(LOSS) AND COST METHOD CHANGE AS OF MAY 1, 2013

1.	EANC Unfunded Actuarial Accrued Liability at 5/1/2012:	$1,724,217
2.	Entry Age Normal Cost Due at 5/1/2012:	300,605
3.	Interest on (1) and (2) to May 1, 2013 (at 7.25% per year):	146,800
4.	Contributions made for the prior year with interest to May 1, 2013:	312,061
5.	Expected EANC Unfunded Actuarial Accrued Liability at May 1, 2013 Before Assumption Changes [(1) + (2) + (3) - (4)]:	1,859,561
6.	Change in EANC Unfunded Actuarial Accrued Liability due to Assumptions Change at May 1, 2013:	378,980
7.	Expected EANC Unfunded Actuarial Accrued Liability at May 1, 2013 [(5) + (6)]:	2,238,541
8.	Actual EANC Unfunded Actuarial Accrued Liability at May 1, 2013:	1,994,250
9.	Gain (Loss) for the prior Plan Year [(7) – (8)]:	$244,291

The experience gain (loss) reported above is the net result of the following:

1.		FINANCIAL SOURCES	
	a)	Investment experience (based upon market value of assets):	$ (427,403)
	b)	Contribution experience:	(65,365)
	c)	Benefit Payments experience:	(12,002)
	d)	Salary increases (greater)/lower than expected:	(47,858)
		Total from Financial Sources:	(552,628)
2.		DEMOGRAPHIC SOURCES	
		Mortality, retirement, disability, termination, etc.:	1,419,461
3.		ACTUARIAL ADJUSTMENTS	
		Market value adjustment for asset smoothing, including expenses	(622,542)
4.		GAIN (LOSS) ALL SOURCES	
		Total Gain (Loss) for the prior Plan Year [(1) + (2) + (3)]	$244,291

SUMMARY OF DEMOGRAPHIC INFORMATION AS OF MAY 1, 2013

	Number	Projected Annual Salaries (Fiscal Year 2014)
Active Police Officers:	21	$1,361,568

	Number	Total Monthly Benefits
Normal Retirees:	11	$ 45,010
Survivors (Widows):	6	13,833
Survivors (Children):	0	0
Disabled Retirees:	0	0
Deferred Vested:	0	0
Terminated/Separated:	0	0 *

* Return of Contributions

The actuarial valuation was performed as of May 1, 2013 to determine contribution requirements for fiscal year 2014.

AGE AND SERVICE DISTRIBUTION

Attained Age	COMPLETED YEARS OF SERVICE											Average Salaries
	0-1	2-4	5-9	10-14	15-19	20-24	25-29	30-34	35-39	40+	Total	
15-19											0	-
20-24		1									1	50,897
25-29		3	2								5	56,160
30-34		1	2								3	57,116
35-39		1	1	2							4	64,667
40-44			3	2	1						6	75,625
45-49				1		1					2	73,049
50-54											0	-
55-59											0	-
60-64											0	-
65+											0	-
TOTAL	0	6	8	5	1	1	0	0	0	0	21	64,837

Age = 36.14 Years

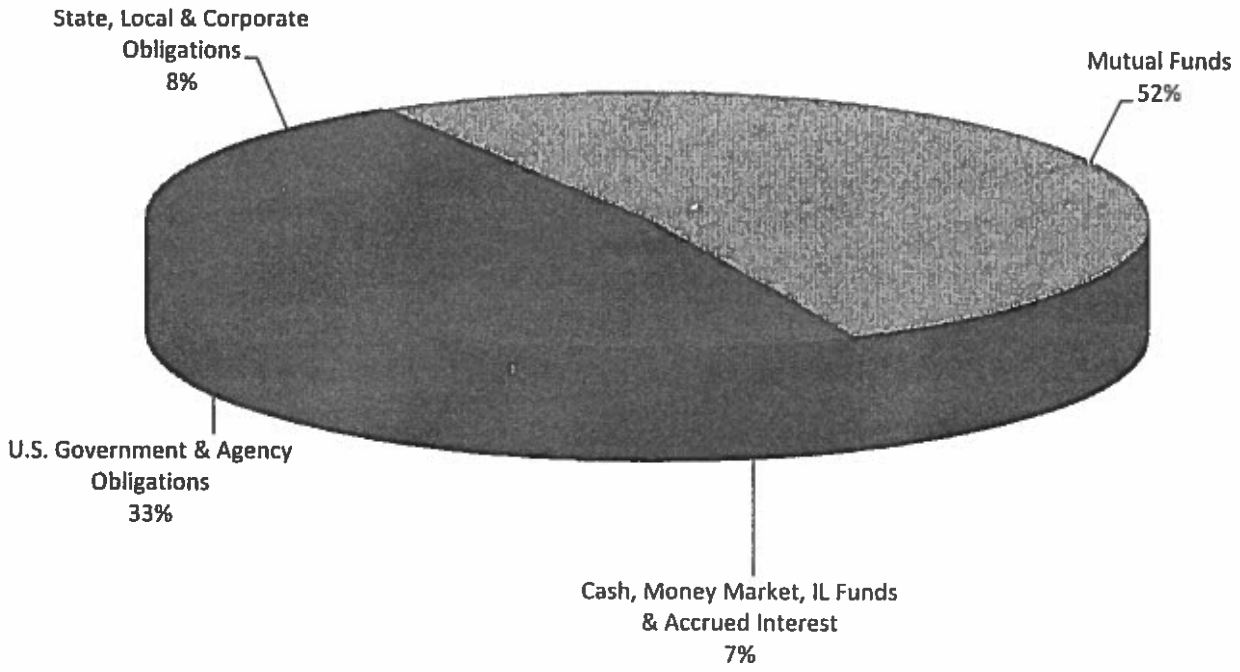
Service = 9.09 Years

ASSET INFORMATION

Cash, Money Market, IL Funds	$702,073
Certificates of Deposit	0
State, Local and Corporate Obligations	879,960
U.S. Government and Agency Obligations	3,568,196
Insurance Company Contracts	0
Pooled Investment Accounts	0
Mutual Funds	5,583,887
Common & Preferred Stocks	0
Taxes Receivable	0
Accrued Interest	22,484
Other Receivables	0
Net Liabilities	0
Net Present Assets at Market Value	$10,756,600

The chart on the following page shows the percentage of invested assets.

ASSET INFORMATION



Insert assets here

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS

1.	Market Value of Assets, May 1, 2012**				$ 10,554,864
2.	Actual Income and Disbursements in prior year weighted for timing				
	Item	Amount	Timing	Weight for Amount	Weighted
	Contributions Received During 2012-2013	302,025		50.00%	151,013
	Miscellaneous Revenue	0		50.00%	0
	Benefit Payments and Expenses Made During 2012-2013	808,667		(50.00)%	(404,334)
	Total				(253,321)
3.	Market Value of assets adjusted for actual income disbursements [(1) + 2(d)]				10,301,543
4.	Assumed rate of return on plan assets for the year				7.25%
5.	Expected return on assets [(3) x (4)]				746,862
6.	Market Value of Assets, May 1, 2012				10,554,864
7.	Income (less investment income) for prior year				302,025
8.	Disbursements paid in prior year				808,667
9.	Market Value of Assets, May 1, 2013				$10,756,600
10.	Actual Return [(9) + (8) – (7) – (6)]				708,378
11.	Investment Gain/(Loss) for Prior Year [(10) – (5)]				(38,484)

DEVELOPMENT OF ACTUARIAL VALUE OF ASSETS
(Continued)

12. Market Value of Assets, May 1, 2013: $10,756,600

13. Deferred investment gains and (losses) for last 4 years:

	Plan Year Beginning	Gain/(Loss)	Percent Deferred	Deferred Amount
a)	2013**	$ (38,484)	80%	$ (30,787)
b	2012	$ (661,026)	60%	$ (396,616)
c)	2011	$ 0	40%	$ 0
d)	2010	$ 0	20%	$ 0
e)	Total	$ (699,510)		$ (427,403)

14. Actuarial value of plan assets for funding,, May 1, 2013: Item (12) less item 13(e): $ 11,184,003

15. Taxes receivable: 0

16. Actuarial value of plan assets for GASB reporting May 1, 2013 item (14) less item (15)*: $ 11,184,003

Notes: * excluding taxes receivable

** The calculated value is determined by adjusting the market value of assets to reflect investment gains and losses (the difference between the actual investment return and the expected investment return) during each of the last five years at the rate of 20% per year.

ANALYSIS OF INVESTMENT RETURN

Fiscal Year Ending April 30	Annual Rate of Return
2013	5.87%
2012	-0.21
2011	10.12
2010	15.37
2009	-11.93
2008	3.61
2007	11.01
2006	10.11
2005	6.72
Composite	
2005-2013	5.34%

THIRTY - YEAR PROJECTION OF PAYMENTS

	Payouts from Active Group Upon					Payouts from		Total
	Termination		Death	Retirement	Disability	Retired Group	Deferred Pensioners	
Year	Lump Sum	Deferred Pension						
2013	4,962	0	3,176	0	4,413	706,122	0	718,673
2014	2,718	0	4,668	16,617	9,115	709,574	0	742,692
2015	1,930	0	4,711	23,646	14,298	711,832	0	756,417
2016	1,672	0	6,591	28,272	19,918	712,699	0	769,152
2017	1,753	0	7,837	32,196	26,143	711,997	0	779,926
2018	0	0	9,945	43,209	32,856	709,663	0	795,673
2019	0	0	11,299	55,723	39,907	705,507	0	812,436
2020	0	0	13,343	65,175	46,736	699,392	0	824,646
2021	0	0	14,950	81,011	54,193	691,188	0	841,342
2022	0	0	16,873	156,572	62,215	680,776	0	916,436
2023	0	0	18,815	205,147	70,070	667,957	0	961,989
2024	0	0	20,626	251,481	77,683	652,681	0	1,002,471
2025	0	0	22,628	307,386	85,897	634,902	0	1,050,813
2026	0	0	24,225	373,294	92,302	614,579	0	1,104,400
2027	0	0	26,199	429,064	97,839	591,732	0	1,144,834
2028	0	0	27,700	486,855	103,058	566,468	0	1,184,081
2029	0	0	29,480	551,408	109,637	538,885	0	1,229,410
2030	0	0	30,832	603,393	114,554	509,177	0	1,257,956
2031	0	0	32,540	661,937	121,957	477,549	0	1,293,983
2032	0	0	33,427	707,200	131,676	444,243	0	1,316,546
2033	0	0	34,858	764,773	137,594	409,607	0	1,346,832
2034	0	0	35,378	845,826	141,668	373,997	0	1,396,869
2035	0	0	36,546	932,290	147,616	337,859	0	1,454,311
2036	0	0	36,789	989,303	155,166	301,694	0	1,482,952
2037	0	0	37,634	1,033,978	158,383	265,991	0	1,495,986
2038	0	0	37,616	1,087,216	163,007	231,245	0	1,519,084
2039	0	0	37,988	1,130,943	166,813	197,985	0	1,533,729
2040	0	0	37,471	1,169,206	167,545	166,719	0	1,540,941
2041	0	0	37,465	1,197,324	169,747	137,954	0	1,542,490
2042	0	0	36,833	1,220,048	169,797	112,066	0	1,538,744

ACTUARIAL ASSUMPTIONS

(Economic)

Investment Return
7.00% per annum, compounded annually (net of expenses).

Salary Increases
Representative values of assumed salary increases are as follows:

Age	Increase %
25	4.8611
30	2.9848
35	2.0341
40	1.5239
45	1.3083
50	1.1846
55	1.1220

An additional inflation allowance of 2.25% per year is added to the above.

Payroll Growth
It was assumed that payroll will grow 4.00% per year.

Cost of Living Adjustments
It was assumed that the Consumer Price Index – Urban (CPI-U) would increase 2.25% per year

Actuarial Asset Basis
The actuarial value of assets recognizes future gains and losses based on a 5-year smoothed market method as prescribed by Statute

In a 5-year smoothed market method, the current market value of assets is reduced (increased) for the current year and each of three succeeding years, by a portion of the gain/(loss) in market value during the prior year. Such gain/(loss) is determined as the excess/(deficit) of the current market value of assets over the market value of assets as of the prior year, increased to reflect interest at the actuarial rate and adjusted to reflect contributions and benefit payments during the prior year. The portion of such gain/(loss) by which the current market value of assets is reduced (increased) shall be 80% in the current year, 60% in the first succeeding year, 40% in the second succeeding year and 20% in the third succeeding year.

Additionally, in accordance with government accounting standards, the actuarial value of assets is adjusted to remove any contributions receivable on the reporting date.

Expenses
None assumed.

(Demographic)

Mortality
Active Lives
RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over. Five percent (5%) of deaths amongst active police officers are assumed to be in the performance of their duty.

Non-Active Lives
RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over.

Termination
Illustrative rates of withdrawal from the plan for reasons other than death or disability are as follows:

Age	Rate of Withdrawal
25	.0734
30	.0416
35	.0223
40	.0119
45	.0102

It is assumed that terminated police officers will not be rehired.

Disability Rates
Incidence of disability amongst police officers eligible for disability benefits:

Age	Rate
25	.0013
30	.0026
35	.0044
40	.0071
45	.0108
50	.0159

15% of disabilities amongst active police officers are assumed to be in the performance of their duty.

Retirement Rates
Retirements are assumed to occur between the ages of 50 and 69 in accordance with the following table:

Age	Rate of Retirement	Age	Rate of Retirement
50	.36	60	.22
51	.22	61	.30
52	.18	62	.39
53	.19	63	.48
54	.19	64	.57
55	.20	65	.65
56	.20	66	.74
57	.20	67	.83
58	.21	68	.91
59	.21	69	1.00

(Additional)

Marital Status
85% of police officers are assumed to be married.

Spouse's Age
Wives are assumed to be 3 years younger than their husbands.

Actuarial Cost Method:
Projected Unit Credit for statutory minimum
Entry Age Normal for recommended and GASB reporting

SUMMARY OF PRINCIPAL PLAN PROVISIONS

Definitions

Tier 1 – For Police Officers first entering Article 3 prior to January 1, 2011

Tier 2 – For Police Officers first entering Article 3 after December 31, 2010

Police Officer (3-106): Any person appointed to the police force and sworn and commissioned to perform police duties.

Persons excluded from Fund (3-109): Part-time officers, special police officer, night watchmen, traffic guards, clerks and civilian employees of the department. Also, police officers who fail to pay the required fund contributions or who elect the Self-Managed Plan option.

Creditable Service (3-110): Time served by a police officer, excluding furloughs in excess of 30 days, but including leaves of absences for illness or accident and periods of disability where no disability pension payments have been received and also including up to 3 years during which disability payments have been received provided contributions are made.

Pension (3-111)

Normal Pension Age
Tier 1 - Age 50 with 20 or more years of creditable service.

Tier 2 - Age 55 with 10 or more years of creditable service.

Normal Pension Amount
Tier 1 - 50% of the greater of the annual salary held in the year preceding retirement or the annual salary held on the last day of service, plus 2½% of such annual salary for service from 20 to 30 year (maximum 25%)].

Tier 2 - 2½% of Final Average salary for each year of service. Final Average Salary is the highest salary based on the highest consecutive 96 months of the final 120 months of service

Early Retirement at age 50 with 10 or more years of service but with a penalty of ½% for each month prior to age 55.

Annual Salary capped at $106,800 increased yearly by the lesser of ½ of the Consumer Price Index- Urban (CPI-U) or 3%. Salary for valuations beginning in 2013 is $109,971.43.

Minimum Monthly Benefit: $1,000

Maximum Benefit Percentage: 75% of salary

Termination Retirement Pension Date
Separation of service after completion of between 8 and 20 years of creditable service.

Termination Pension Amount
Commencing at age 60, 2½% of annual salary held in the year preceding termination times years of creditable service or refund of contributions, or for persons terminating on or after July 1, 1987, 2½% of annual salary held on the last day of service times years of credible service, whichever is greater.

Pension Increase

Non-Disabled
Tier 1 - 3% increase of the original pension amount after attainment of age 55 for each year elapsed since retirement, followed by an additional 3% of the original pension amount on each January 1 thereafter. Effective July 1, 1993, 3% of the amount of pension payable at the time of the increase including increases previously granted, rather than 3% of the originally granted pension amount.

SUMMARY OF PRINCIPAL PLAN PROVISIONS
(Continued)

Tier 2 - The lesser of ½ of the Consumer Price Index- Urban (CPI-U) or 3% increase of the original pension amount after attainment of age 60, followed by an additional 3% of the original pension amount on each January 1 thereafter.

Disabled
3% increase of the original pension amount after attainment of age 60 for each year he or she received pension payments, followed by an additional 3% of the original pension amount in each January 1 thereafter.

Pension to Survivors (3-112)

Death of Retired Member
Tier 1 - 100% of pension amount to surviving spouse (or dependent children).

Tier 2 – 66 2/3% of pension amount to surviving spouse (or dependent children), subject to the following increase: the lesser of ½ of the Consumer Price Index- Urban (CPI-U) or 3%.increase of the original pension amount after attainment of age 60, followed by an additional 3% of the original pension amount on each January 1 thereafter.

Death While in Service (Not in line of duty)
With 20 years of creditable service, the pension amount earned as of the date of death.

With between 10 and 20 years of creditable service, 50% of the salary attached to the rank for the year prior to the date of death.

Death in Line of Duty
100% of the salary attached to the rank for the last day of service year prior to date of death.

Minimum Survivor Pension
$1,000 per month to all surviving spouses.

Disability Pension - Line of Duty (3-114.1)

Eligibility
Suspension or retirement from police service due to sickness, accident or injury while on duty.

Pension
Greater of 65% of salary attached to rank at date of suspension or retirement and the retirement pension available. Minimum $1,000 per month.

Disability Pension - Not on Duty (3-114.2)

Eligibility
Suspension or retirement from police service for any cause other than while on duty.

Pension
50% of salary attached to rank at date of suspension or retirement. Minimum $1,000 per month.

Other Provisions

Marriage After Retirement (3-120)
No surviving spouse benefit available.

Refund (3-124)
At death prior to completion of 10 years of service, contributions are returned without interest to widow.

At termination with less than 20 years of service, contributions are refunded upon request.

Contributions by Police Officers (3-125.1)
Beginning January 1, 2001, 9.91% of salary including longevity, but excluding overtime pay, holiday pay, bonus pay, merit pay or other cash benefit.

GLOSSARY

Actuarial Accrued Liability
See ***Entry Age Normal Cost*** *Method and* ***Projected Unit Credit Cost*** *Method.*

Actuarial Assumptions
The economic and demographic predictions used to estimate the present value of the plan's future obligations. They include estimates of investment earnings, salary increases, mortality, withdrawal and other related items. The *Actuarial Assumptions* are used in connection with the *Actuarial Cost Method* to allocate plan costs over the working lifetimes of plan participants.

Actuarial Cost Method
The method used to allocate the projected obligations of the plan over the working lifetimes of the plan participants. Also referred to as an *Actuarial Funding Method.*

Actuarial Funding Method
See *Actuarial Cost Method*

Actuarial Gain (Loss)
The excess of the actual *Unfunded Actuarial Accrued Liability* over the expected *Unfunded Actuarial Accrued Liability* represents an *Actuarial Loss.* If the expected *Unfunded Actuarial Accrued Liability* is greater, an *Actuarial Gain* has occurred.

Actuarial Present Value
The value of an amount or series of amounts payable or receivable at various times, determined as of a given date by the application of a particular set of *Actuarial Assumptions.*

Actuarial Value of Assets
The asset value derived by using the plan's *Asset Valuation Method.*

Asset Valuation Method
A valuation method designed to smooth random fluctuations in asset values. The objective underlying the use of an asset valuation method is to provide for the long-term stability of employer contributions.

Employee Retirement Income Security Act of 1974 (ERISA)
The primary federal legislative act establishing funding, participation, vesting, benefit accrual, reporting, and disclosure standards for pension and welfare plans.

Entry Age Normal Cost Method
One of the standard actuarial funding methods in which the *Present Value of Projected Plan Benefits* of each individual included in the *Actuarial Valuation* is allocated on a level basis over the earnings of the individual between entry age and assumed exit age(s). The portion of this *Actuarial Present Value* allocated to a valuation year is called the *Normal Cost.* The portion of this *Actuarial Present Value* not provided for at a valuation date by the *Actuarial Present Value* of future *Normal Costs* is called the *Actuarial Accrued Liability.*

Normal Cost
The portion of the *Present Value of Projected Plan Benefits* that is allocated to a particular plan year by the *Actuarial Cost Method.* See *Entry Age Normal Cost Method* for a description of the Normal Cost under the *Entry Age Normal Cost Method.* See *Projected Unit Credit Cost Method* for a description of the Normal Cost under the *Projected Unit Credit Cost Method.*

Present Value of Future Normal Costs
The present value of future normal costs determined based on the *Actuarial Cost Method* for the plan. Under the *Entry Age Normal Cost Method*, this amount is equal to the excess of the *Present Value of Projected Plan Benefits* over the sum of the *Actuarial Value of Assets* and *Unfunded Actuarial Accrued Liability.*

Present Value of Projected Plan Benefits
The present value of future plan benefits reflecting projected credited service and salaries. The present value is determined based on the plan's actuarial assumptions.

GLOSSARY
(Continued)

Projected Unit Credit Cost Method
One of the standard actuarial funding methods in which the *Present Value of Projected Plan Benefits* of each individual included in the *Actuarial Valuation* is allocated by a consistent formula to valuation years. The *Actuarial Present Value* allocated to a valuation year is called the *Normal Cost*. The *Actuarial Present Value* of benefits allocated to all periods prior to a valuation year is called the *Actuarial Accrued Liability*.

Statement No. 25 of the Governmental Accounting Standards Board (GASB No. 25)
The accounting statement that established the standards of financial accounting and reporting for the financial statements of defined benefit pension plans.

Unfunded Actuarial Accrued Liability
The excess of the *Actuarial Accrued Liability* over the *Actuarial Value of Assets*.

NOTES