



CITY OF PARK RIDGE
PARK RIDGE FIREFIGHTERS PENSION FUND

Actuarial Valuation Report

For the Year

Beginning May 1, 2013

And Ending April 30, 2014

Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600

TABLE OF CONTENTS

	<u>Page</u>
Introduction	3
Summary of Results	4
Actuarial Valuation of Assets	6
Asset Changes During Prior Year	7
Normal Cost	8
Accrued Liability	9
Tax Levy Requirement	10
Summary of Plan Participants	11
Duration	12
Projected Pension Payments	12
Summary of Plan Provisions	13
Actuarial Method	14
Actuarial Assumptions	15
GASB Statements No. 25 & 27 Disclosure	16

INTRODUCTION

Fire-sworn personnel of the City of Park Ridge are covered by the Firefighters Pension Plan that is a defined-benefit, single-employer pension plan. The purpose of this report is to disclose the Tax Levy Requirement and GASB Statements No. 25 & 27 financial information and related actuarial information for the year beginning May 1, 2013, and ending April 30, 2014.

The valuation results reported herein are based on plan provisions in effect as of May 1, 2013, the employee data furnished by the City, the financial data provided by the Fund's trustee and the actuarial methods and assumptions described later in this report. I hereby certify that to the best of my knowledge this report is complete and accurate and fairly presents the actuarial position of the Fund as of April 30, 2013, in accordance with generally accepted actuarial principles and procedures. In my opinion, the assumptions used are reasonably related to the experience of the Plan and to reasonable expectations. A reasonable request for supplementary information not included in this report should be directed to the undersigned actuary.

I, Timothy W. Sharpe, am an Enrolled Actuary and a member of the American Academy of Actuaries, and I meet the Qualifications Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Respectfully submitted,



Timothy W. Sharpe, EA, MAAA
Enrolled Actuary No. 11-4384

12/18/2013

Date

SUMMARY OF RESULTS

There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to mortality rates. The mortality rate assumption has been changed to the RP 2000 Mortality Table from the 1971 GA Mortality Table.

There were no changes with respect to Plan Provisions or Actuarial Methods from the prior year.

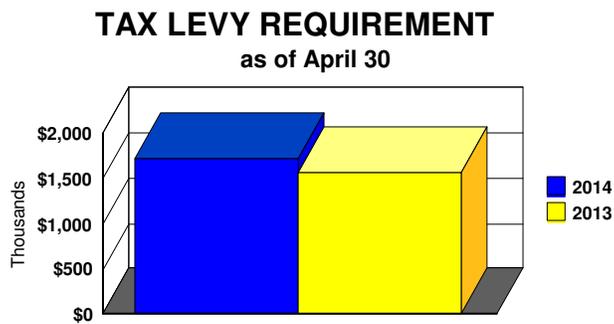
There were no unexpected changes with respect to the participants included in this actuarial valuation (2 new members, 0 terminations, 0 retirements, 0 incidents of disability, annual payroll increase 5.4%, average salary increase 2.3%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 8.30%).

The City's Tax Levy Requirement has increased from \$1,575,943 last year to \$1,716,726 this year (8.9%). The increase in the Tax Levy is due to the increase in salaries and the change to the mortality table, and was offset due to the investment return was greater than assumed. The Percent Funded has decreased slightly from 67.9% last year to 67.4% this year.

SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2014</u>	<u>2013</u>
Tax Levy Requirement	\$ 1,716,726	\$ 1,575,943
	as of May 1	
	<u>2013</u>	<u>2012</u>
City Normal Cost	839,339	777,083
Anticipated Employee Contributions	387,656	367,895
Accrued Liability	55,191,391	52,379,863
Actuarial Value of Assets	37,210,903	35,554,556
Unfunded Accrued Liability/(Surplus)	17,980,488	16,825,307
Amortization of Unfunded Accrued Liability/(Surplus)	772,610	702,676
Percent Funded	67.4%	67.9%
Annual Payroll	\$ 4,100,012	\$ 3,891,008

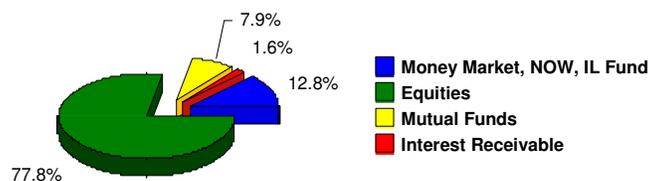


ACTUARIAL VALUATION OF ASSETS

		as of May 1	
		<u>2013</u>	<u>2012</u>
Money Market, NOW, IL Fund	\$	2,557,306	\$ 2,652,715
Government Securities		17,924,972	18,971,287
Equities		15,585,601	12,602,191
Mutual Funds		1,582,411	1,341,719
Contribution Receivable		310,897	311,120
Interest Receivable		<u>12,141</u>	<u>12,879</u>
Market Value of Assets	\$	<u>37,973,328</u>	\$ <u>35,891,911</u>
Actuarial Value of Assets		37,210,903	35,554,556

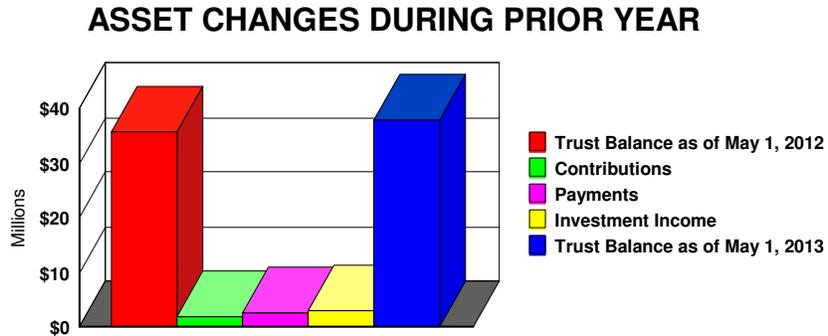
FYE 2012-2013 (Gain)/Loss: (\$421,694); (\$636,761)

SUMMARY OF ASSETS
As Of May 1, 2013



ASSET CHANGES DURING PRIOR YEAR

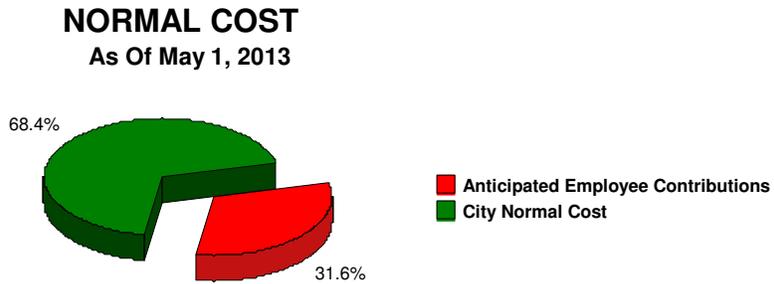
Trust Balance as of May 1, 2012		\$	35,898,736
Contributions			
City	1,553,909		
Employee	<u>385,796</u>		
Total			1,939,704
Payments			
Benefit Payments	2,628,132		
Expenses	<u>178,969</u>		
Total			2,807,101
Investment Income			<u>2,941,989</u>
Trust Balance as of May 1, 2013		\$	<u>37,973,328</u>
Approximate Annual Rate of Return			8.30%



NORMAL COST

The Normal Cost is the actuarial present value of the portion of the projected benefits that are expected to accrue during the year based upon the actuarial valuation method and actuarial assumptions employed in the valuation.

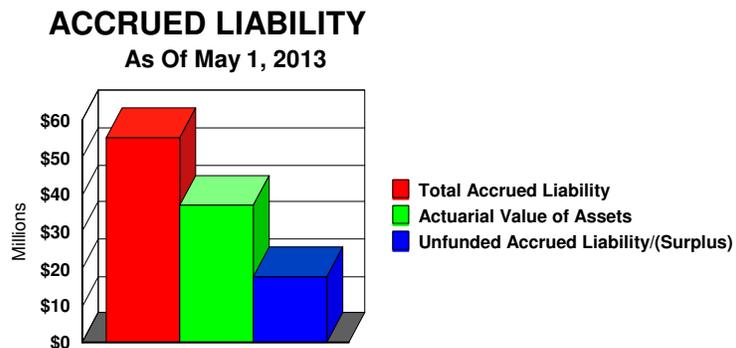
	as of May 1	
	<u>2013</u>	<u>2012</u>
Total Normal Cost	\$ 1,226,995	\$ 1,144,978
Anticipated Employee Contributions	<u>387,656</u>	<u>367,895</u>
City Normal Cost	<u>839,339</u>	<u>777,083</u>
Normal Cost Payroll	\$ 4,100,012	\$ 3,891,008
City Normal Cost Rate	20.47%	19.97%
Total Normal Cost Rate	29.93%	29.43%



ACCRUED LIABILITY

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 actuarial assumptions employed in the valuation. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets.

	as of May 1	
Accrued Liability	<u>2013</u>	<u>2012</u>
Active Employees	\$ 23,822,070	\$ 21,241,356
Children Annuities	5,170	5,491
Disability Annuities	5,442,183	6,341,235
Retirement Annuities	25,333,841	24,220,688
Surviving Spouse Annuities	293,964	300,084
Terminated Vested Annuities	<u>294,163</u>	<u>271,009</u>
Total Annuities	31,369,321	31,138,507
Total Accrued Liability	55,191,391	52,379,863
Actuarial Value of Assets	<u>37,210,903</u>	<u>35,554,556</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>17,980,488</u>	\$ <u>16,825,307</u>
Percent Funded	67.4%	67.9%

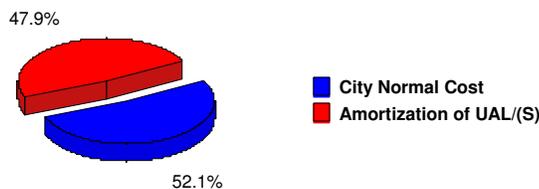


TAX LEVY REQUIREMENT

The Public Act 096-1495 Tax Levy Requirement is determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the excess (if any) of ninety percent (90%) of the accrued liability over the actuarial value of assets as a level percentage of payroll over a thirty (30) year period which commenced in 2011, plus an adjustment for interest. Prior to 2011, the amortization amount was equal to the amount to amortize the unfunded accrued liability as a level percentage of payroll over a forty (40) year period which commenced in 1993. Beginning in 2011, the amortization period has been reset to 30 years.

	For Year Ending April 30	
	<u>2014</u>	<u>2013</u>
City Normal Cost as of Beginning of Year	\$ 839,339	\$ 777,083
Amortization of Unfunded Accrued Liability/(Surplus)	772,610	702,676
Interest for One Year	<u>104,777</u>	<u>96,184</u>
Tax Levy Requirement as of End of Year	\$ <u>1,716,726</u>	\$ <u>1,575,943</u>
 Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	991,195	881,451
2) Accrued Liability (PUC)	51,958,172	49,447,962
3) Amortization Payment	410,420	373,721
4) Interest for One Year	91,105	81,586
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	\$ 1,492,720	1,336,758

TAX LEVY REQUIREMENT For Fiscal Year Ending April 30, 2014



SUMMARY OF PLAN PARTICIPANTS

The actuarial valuation of the Plan is based upon the employee data furnished by the City. The information provided for Active participants included:

- Name
- Sex
- Date of Birth
- Date of Hire
- Compensation
- Employee Contributions

The information provided for Inactive participants included:

- Name
- Sex
- Date of Birth
- Date of Pension Commencement
- Monthly Pension Benefit
- Form of Payment

Membership	<u>2013</u>	<u>2013</u>	<u>2012</u>	<u>2012</u>
Current Employees				
Vested	33		31	
Nonvested	<u>15</u>		<u>15</u>	
Total	<u>48</u>		<u>46</u>	
Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	3 \$	828	3 \$	804
Disabled Employees	9	434,898	10	499,149
Retired Employees	34	2,199,887	33	2,066,976
Surviving Spouses	2	38,308	2	38,308
Terminated Vesteds	<u>1</u>	<u>57,902</u>	<u>1</u>	<u>57,902</u>
Total	<u>49</u>	<u>2,731,823</u>	<u>49</u>	<u>2,663,139</u>
Annual Payroll	\$	4,100,012	\$	3,891,008

SUMMARY OF PLAN PARTICIPANTS (Continued)

Age and Service Distribution

Service Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Salary
20-24									
25-29	3	2						5	72,507
30-34	1	2						3	80,901
35-39		3	6					9	82,665
40-44		3	2	10				15	87,273
45-49			1	4		2		7	88,494
50-54	1			2		1	2	6	94,300
55-59							2	2	89,140
60+							1	1	78,158
Total	<u>5</u>	<u>10</u>	<u>9</u>	<u>16</u>	<u>0</u>	<u>3</u>	<u>5</u>	<u>48</u>	<u>85,417</u>
Salary	82,726	80,901	85,006	86,789		96,373	86,915		

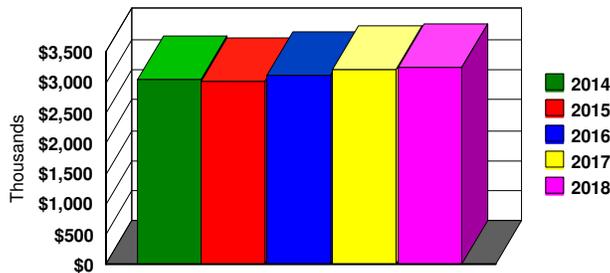
Average Age: 42.2 Average Service: 14.4

DURATION (years) Active Members: 19.6 Retired Members: 9.1 All Members: 13.3

PROJECTED PENSION PAYMENTS

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$3,059,465	\$3,040,608	\$3,127,120	\$3,232,726	\$3,241,278

**PROJECTED PENSION PAYMENTS
2014-2018**



SUMMARY OF PLAN PROVISIONS

The Plan Provisions have not been changed from the prior year.

The City of Park Ridge Firefighters Pension Fund was created and is administered as prescribed by "Article 4. Firefighters' Pension Fund - Municipalities 500,000 and Under" of the Illinois Pension Code (Illinois Compiled Statutes, 1992, Chapter 40). A brief summary of the plan provisions is provided below.

Employees attaining the age of (50) or more with (20) or more years of creditable service are entitled to receive an annual retirement benefit of one-half of the salary attached to the rank held on the last day of service. The pension shall be increased by (1/12) of (2.5%) of such monthly salary for each additional month of service over (20) years up to (30) years, to a maximum of (75%) of such monthly salary.

Employees with at least (10) years but less than (20) years of credited service may retire at or after age (60) and receive a reduced benefit ranging from (15%) of final salary for (10) years of service to (45.6%) for 19 years of service.

Surviving spouses receive (100%) of final salary for fatalities resulting from an act of duty, or otherwise the greater of (54%) of final salary or the monthly retirement pension that the deceased firefighter was receiving at the time of death. Surviving children receive (12%) of final salary. The maximum family survivor benefit is (75%) of final salary.

Employees disabled in the line of duty receive (65%) of final salary.

The monthly pension of a covered employee who retired with (20) or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least (55) years, by (3%) of the amount of the pension payable at the time of the increase.

Employees are required to contribute (9.455%) of their base salary to the Firefighters' Pension Plan. If an employee leaves covered employment with less than twenty (20) years of service, accumulated employee contributions may be refunded without accumulated interest.

For Employees hired after January 1, 2011, the annual retirement benefit is (2.5%) of final average salary for each year of service up to (30) years, to a maximum of (75%) of such salary, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed \$106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

ACTUARIAL METHODS

The Actuarial Methods employed for this valuation are as follows:

Projected Unit Credit Cost Method (for years beginning on or after 2011 for PA 096-1495)

Under the Projected Unit Credit Cost Method, the Normal Cost is the present value of the projected benefit (including projected salary increases) earned during the year.

The Accrued Liability is the present value of the projected benefit (including projected salary increases) earned as of the actuarial valuation date. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

Entry Age Normal Cost Method

Under the Entry Age Normal Cost Method the Normal Cost for each participant is computed as the level percentage of pay which, if paid from the earliest age the participant is eligible to enter the plan until retirement or termination, will accumulate with interest to sufficiently fund all benefits under the plan. The Normal Cost for the plan is determined as the greater of a) the sum of the Normal Costs for all active participants, and b) 17.5% of the total payroll of all active participants.

The Accrued Liability is the theoretical amount that would have accumulated had annual contributions equal to the Normal Cost been paid. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

ACTUARIAL ASSUMPTIONS

The Actuarial Assumptions used for determining the Tax Levy Requirement and GASB Statements No. 25 & 27 Disclosure Information are the same (except where noted) and have been changed from the prior year (discussion on page 4). The methods and assumptions disclosed in this report may reflect statutory requirements and may reflect the responsibility of the Principal and its advisors. In the event a method or assumption conflicts with the actuary's professional judgment, the method or assumption is identified in this report. The Actuarial Assumptions employed for this valuation are as follows:

Valuation Date	May 1, 2013
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	6.50% net of investment expenses.
Salary Scale	5.00%
Mortality	RP 2000 Mortality Table (BCA, +1M, -4F, 2x>105). There is no margin for future mortality improvement beyond the valuation date.
Withdrawal	State of Illinois DOI Experience Rates
Disability	State of Illinois DOI Experience Rates
Retirement	State of Illinois DOI Experience Rates (100% by Age 62)
Marital Status	80% Married, Female spouses 3 years younger
Plan Expenses	None

Sample Annual Rates Per 100 Participants

<u>Age</u>	<u>Mortality</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement</u>
20	0.04	4.02	0.17	
30	0.08	2.56	0.20	
40	0.14	1.14	0.30	
50	0.27		0.62	20.00
60	0.94		1.84	83.33
62	1.23			100.00

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION

The Governmental Accounting Standards Board (GASB) issued Statements No. 25 & 27 that established generally accepted accounting principles for the annual financial statements for defined benefit pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

	<u>April 30, 2013</u>	<u>April 30, 2012</u>
Retirees and beneficiaries receiving benefits	48	48
Terminated plan members entitled to but not yet receiving benefits	1	1
Active vested plan members	33	31
Active nonvested plan members	<u>15</u>	<u>15</u>
Total	<u>97</u>	<u>95</u>
Number of participating employers	1	1

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
04/30/11	33,545,688	50,771,789	17,226,101	66.1%	3,948,131	436.3%
04/30/12	35,891,911	52,379,863	16,487,952	68.5%	3,891,008	423.7%
04/30/13	37,973,328	55,191,391	17,218,063	68.8%	4,100,012	420.0%

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	<u>April 30, 2013</u>	<u>April 30, 2012</u>
Annual required contribution	1,624,569	1,875,739
Interest on net pension obligation	40,345	45,433
Adjustment to annual required contribution	<u>(26,292)</u>	<u>(28,811)</u>
Annual pension cost	1,638,622	1,892,361
Contributions made	<u>1,553,909</u>	<u>1,970,636</u>
Increase (decrease) in net pension obligation	84,713	(78,275)
Net pension obligation beginning of year	<u>620,693</u>	<u>698,968</u>
Net pension obligation end of year	<u>705,406</u>	<u>620,693</u>

THREE-YEAR TREND INFORMATION

Fiscal Year <u>Ending</u>	Annual Pension Cost (APC) <u>Cost (APC)</u>	Percentage of APC Contributed <u>Contributed</u>	Net Pension Obligation <u>Obligation</u>
04/30/11	1,766,045	90.3%	698,968
04/30/12	1,892,361	104.1%	620,693
04/30/13	1,638,622	94.8%	705,406

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:

City	37.900%	50.646%
Plan members	9.455%	Same
Annual pension cost	1,638,622	1,892,361
Contributions made	1,553,909	1,970,636
Actuarial valuation date	04/30/2013	04/30/2012
Actuarial cost method	Entry age	Same
Amortization period	Level percentage of pay, closed	Same
Remaining amortization period	28 years	29 years
Asset valuation method	Market	Same
Actuarial assumptions:		
Investment rate of return*	6.50%	Same
Projected salary increases*	5.00%	Same
*Includes inflation at	3.00%	Same
Cost-of-living adjustments	3.00% per year	Same