TSW
Actuary

CITY OF PARK RIDGE

PARK RIDGE POLICE 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

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INTRODUCTION

Police-sworn personnel of the City of Park Ridge are covered by the Police 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

2/6/2014
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.

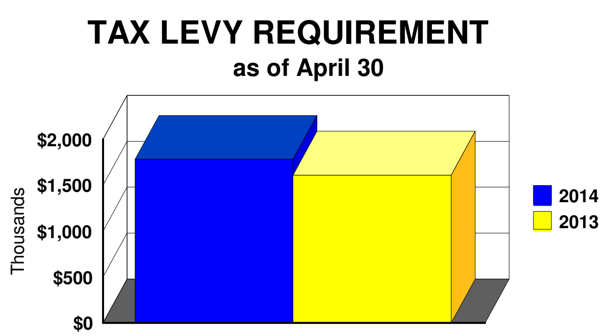
There were no unexpected changes with respect to the participants included in this actuarial valuation (2 new members, 0 terminations, 1 retirement, 0 incidents of disability, annual payroll increase 2.2%, average salary increase 1.9%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 9.02%).

The City's Tax Levy Requirement has increased from $1,616,063 last year to $1,790,707 this year (10.8%). 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 from 63.7% last year to 62.6% this year.

SUMMARY OF RESULTS (Continued)

		For Year Ending April 30 2014		2013
Tax Levy Requirement	$	1,790,707	$	1,616,063
		as of May 1 2013		2012
City Normal Cost		639,175		592,780
Anticipated Employee Contributions		434,385		425,012
Accrued Liability		61,170,783		57,437,409
Actuarial Value of Assets		38,311,833		36,613,698
Unfunded Accrued Liability/(Surplus)		22,858,950		20,823,711
Amortization of Unfunded Accrued Liability/(Surplus)		1,042,240		924,650
Percent Funded		62.6%		63.7%
Annual Payroll	$	4,383,296	$	4,288,717

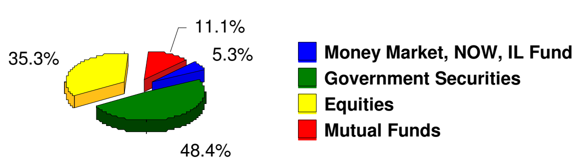


ACTUARIAL VALUATION OF ASSETS

		as of May 1		
		2013		2012
Money Market, NOW, IL Fund	$	2,044,036	$	2,329,343
Government Securities		18,810,634		15,470,549
Equities		13,705,694		13,903,716
Mutual Funds		4,308,295		1,447,915
Interest Receivable		307,735		310,135
Miscellaneous Receivable/(Payable)		28,318		3,363,410
Market Value of Assets		39,204,712		36,825,068
Actuarial Value of Assets	$	38,311,833	$	36,613,698

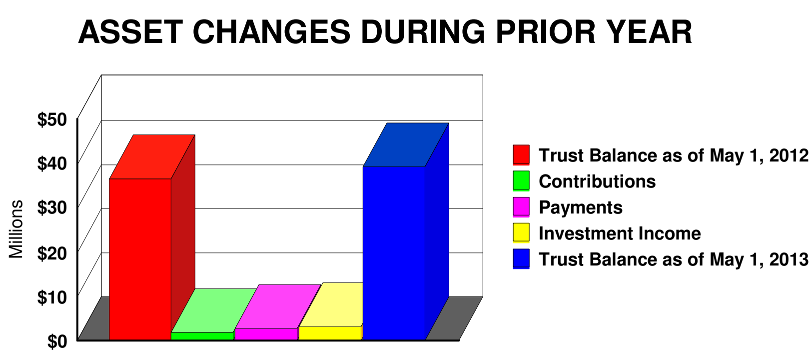
FYE 2012-2013 (Gain)/Loss: ($264,212); ($917,940)

SUMMARY OF ASSETS
As Of May 1, 2013



ASSET CHANGES DURING PRIOR YEAR

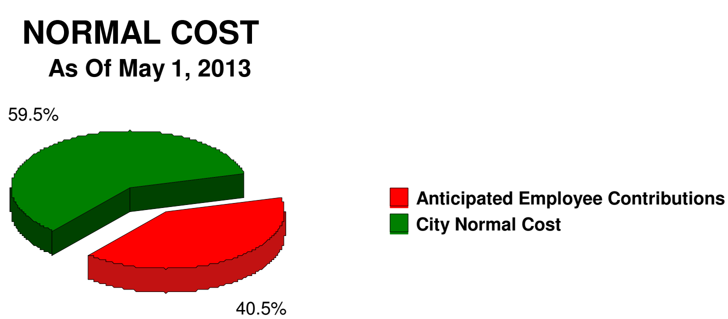
Trust Balance as of May 1, 2012		$	36,825,068
Contributions			
City	1,587,617		
Employee	432,199		
Total			2,019,816
Payments			
Benefit Payments	2,753,610		
Expenses	168,797		
Total			2,922,407
Investment Income			3,282,235
Trust Balance as of May 1, 2013		$	39,204,712
Approximate Annual Rate of Return			9.02%



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.

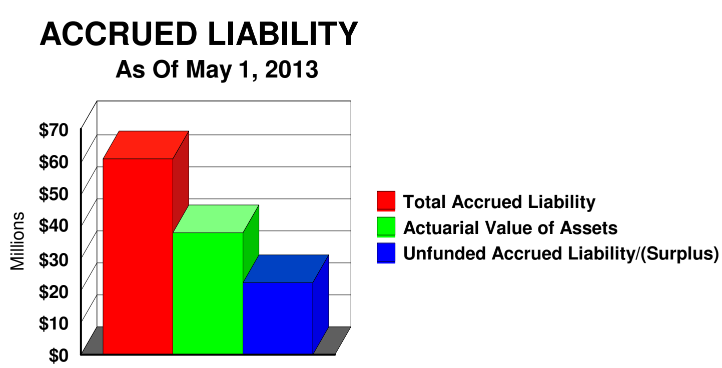
	as of May 1	
	2013	2012
Total Normal Cost	$ 1,073,560	$ 1,017,792
Anticipated Employee Contributions	434,385	425,012
City Normal Cost	639,175	592,780
Normal Cost Payroll	$ 4,383,296	$ 4,288,717
City Normal Cost Rate	14.58%	13.82%
Total Normal Cost Rate	24.49%	23.73%



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		2013		2012
Active Employees	$	25,933,981	$	24,128,757
Children Annuities		0		0
Disability Annuities		2,618,898		2,536,038
Retirement Annuities		30,206,758		28,341,552
Surviving Spouse Annuities		1,502,011		1,554,020
Terminated Vested Annuities		909,135		877,042
Total Annuities		35,236,802		33,308,652
Total Accrued Liability		61,170,783		57,437,409
Actuarial Value of Assets		38,311,833		36,613,698
Unfunded Accrued Liability/(Surplus)	$	22,858,950	$	20,823,711
Percent Funded		62.6%		63.7%



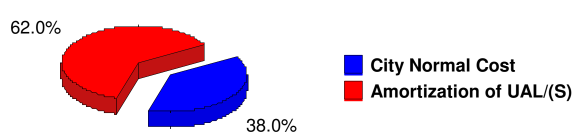
TAX LEVY REQUIREMENT

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			
		2014		2013
City Normal Cost as of Beginning of Year	$	639,175	$	592,780
Amortization of Unfunded Accrued Liability/(Surplus)		1,042,240		924,650
Interest for One Year		109,292		98,633
Tax Levy Requirement as of End of Year	$	1,790,707	$	1,616,063
Public Act 096-1495 Tax Levy Requirement				
1) Normal Cost (PUC)		891,983		768,097
2) Accrued Liability (PUC)		58,321,927		54,864,426
3) Amortization Payment		646,433		566,781
4) Interest for One Year		99,997		86,767
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	$	1,638,413		1,421,645

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	2013	2013	2012	2012
Current Employees				
Vested	45		42	
Nonvested	8		10	
Total	53		52	
Inactive Participants		Annual Benefits		Annual Benefits
Children	0	$ 0	0	$ 0
Disabled Employees	5	149,941	5	149,223
Retired Employees	38	2,354,510	37	2,202,958
Surviving Spouses	10	213,112	10	213,112
Terminated Vesteds	1	47,794	1	47,794
Total	54	2,765,357	53	2,613,087
Annual Payroll		$ 4,383,296		$ 4,288,717

SUMMARY OF PLAN PARTICIPANTS (Continued)

Age and Service Distribution

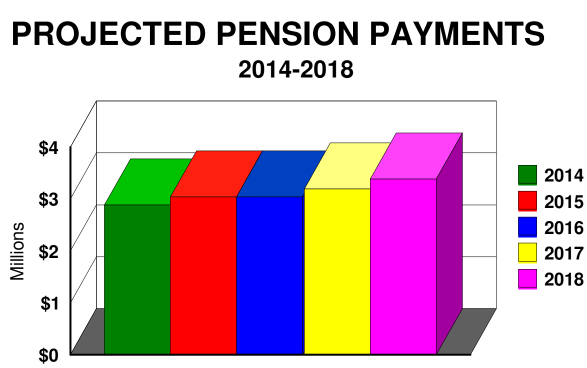
Service Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Salary
20-24									
25-29									
30-34	2	4	3					9	76,041
35-39	1	4	3	1				9	80,238
40-44	1	2	8	7				18	84,078
45-49			3	2	5	3		13	85,575
50-54					1	2		3	89,879
55-59				1				1	81,271
60+									
Total	4	10	17	11	6	5	0	53	82,704
Salary	70,592	79,771	81,020	86,460	86,813	90,790			

Average Age: 41.4 Average Service: 13.9

DURATION (years) Active Members: 21.6 Retired Members: 9.5 All Members: 14.3

PROJECTED PENSION PAYMENTS

2014	2015	2016	2017	2018
$2,888,749	$3,066,949	$3,061,147	$3,196,797	$3,388,812



SUMMARY OF PLAN PROVISIONS

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

The City of Park Ridge Police Pension Fund was created and is administered as prescribed by "Article 3. Police 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 (2.5%) of final salary for each year of service up to (30) years, to a maximum of (75%) of such salary.

Employees with at least (8) years but less than (20) years of credited service may retire at or after age (60) and receive a reduced benefit of (2.5%) of final salary for each year of service.

Surviving spouses receive the greater of (50%) of final salary or the employee's retirement benefit.

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 originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as (3%) of the amount of the pension payable at the time of the increase.

Employees are required to contribute (9.91%) of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than (20) years of service, accumulated employee contributions may be refunded without accumulated interest.

For Employees hired after January 1, 2011, 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 sum of the Normal Costs for 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	4.50%
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, Spouse Same Age
Plan Expenses	None

Sample Annual Rates Per 100 Participants

Age	Mortality	Withdrawal	Disability	Retirement
20	0.04	6.00	0.07	
30	0.08	5.10	0.10	
40	0.14	2.85	0.20	
50	0.27		0.52	20.00
60	0.94		0.60	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:

	April 30, 2013	April 30, 2012
Retirees and beneficiaries receiving benefits	53	52
Terminated plan members entitled to but not yet receiving benefits	1	1
Active vested plan members	45	42
Active nonvested plan members	8	10
Total	107	105
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	34,594,933	55,731,869	21,136,936	62.1%	4,412,233	479.1%
04/30/12	36,825,068	57,437,409	20,612,341	64.1%	4,288,717	480.6%
04/30/13	39,204,712	61,170,783	21,966,071	64.1%	4,383,296	501.1%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	April 30, 2013	April 30, 2012
Annual required contribution	1,637,408	2,002,567
Interest on net pension obligation	1,567	2,910
Adjustment to annual required contribution	(1,091)	(1,975)
Annual pension cost	1,637,884	2,003,502
Contributions made	1,587,617	2,024,155
Increase (decrease) in net pension obligation	50,267	(20,653)
Net pension obligation beginning of year	24,110	44,763
Net pension obligation end of year	74,377	24,110

THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
04/30/11	1,838,778	88.4%	44,763
04/30/12	2,003,502	101.0%	24,110
04/30/13	1,637,884	96.9%	74,377

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

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:		
City	36.22%	47.20%
Plan members	9.91%	Same
Annual pension cost	1,637,884	2,003,502
Contributions made	1,587,617	2,024,155
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*	4.50%	Same
*Includes inflation at	3.00%	Same
Cost-of-living adjustments	3.00% per year	Same