



**CITY OF PARK RIDGE**  
**PARK RIDGE POLICE PENSION FUND**

Actuarial Valuation Report

For the Year

Beginning May 1, 2014

And Ending April 30, 2015

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*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 provide to the Intended Users of this report, specifically the Intended Users are the City Officials, the Pension Board and the City and Pension Board auditors, the reporting requirements of the Illinois Pension Code, the GASB Statements No. 25 & 27 financial information and related actuarial information for the year stated in this report. This report is not intended for distribution or usage to or by anyone who is not an Intended User and should not be used for any other purpose.

The valuation results reported herein are based on the employee data, plan provisions and the financial data provided by the City. The actuary has relied on this information and does not assume responsibility for the accuracy or completeness of this information. 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 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.

The actuary cautions the Intended Users of the possibility of uncertainty or risks in any of the results in this report.

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. 14-4384

10/22/2014

Date

## SUMMARY OF RESULTS

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

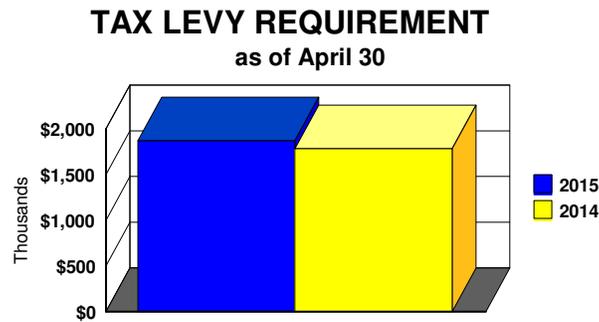
There were no unexpected changes with respect to the participants included in this actuarial valuation (1 new member, 0 terminations, 0 retirements, 1 incident of disability, annual payroll increase 3.2%, average salary increase 3.8%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 7.74%).

The City's Tax Levy Requirement has increased from \$1,790,707 last year to \$1,876,570 this year (4.8%). The increase in the Tax Levy is due to the increase in salaries and the new incident of disability, and was offset due to the investment return was greater than assumed. The Percent Funded has decreased slightly from 62.6% last year to 62.5% this year.

SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2015</u>	<u>2014</u>
Tax Levy Requirement	\$ 1,876,570	\$ 1,790,707
	as of May 1	
	<u>2014</u>	<u>2013</u>
City Normal Cost	628,440	639,175
Anticipated Employee Contributions	448,431	434,385
Accrued Liability	64,453,150	61,170,783
Actuarial Value of Assets	40,269,928	38,311,833
Unfunded Accrued Liability/(Surplus)	24,183,222	22,858,950
Amortization of Unfunded Accrued Liability/(Surplus)	1,133,598	1,042,240
Percent Funded	62.5%	62.6%
Annual Payroll	\$ 4,525,036	\$ 4,383,296



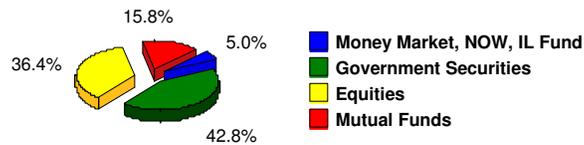
ACTUARIAL VALUATION OF ASSETS

		as of May 1	
		<u>2014</u>	<u>2013</u>
Money Market, NOW, IL Fund	\$	2,063,086	\$ 2,044,036
Government Securities		17,530,829	18,810,634
Equities		14,930,536	13,705,694
Mutual Funds		6,464,730	4,308,295
Interest Receivable		307,735	307,735
Miscellaneous Receivable/(Payable)		<u>13,308</u>	<u>28,318</u>
Market Value of Assets		<u>41,310,224</u>	<u>39,204,712</u>
Actuarial Value of Assets	\$	40,269,928	\$ 38,311,833

FYE 2012-2014 (Gain)/Loss: (\$264,212); (\$917,940); (\$479,808)

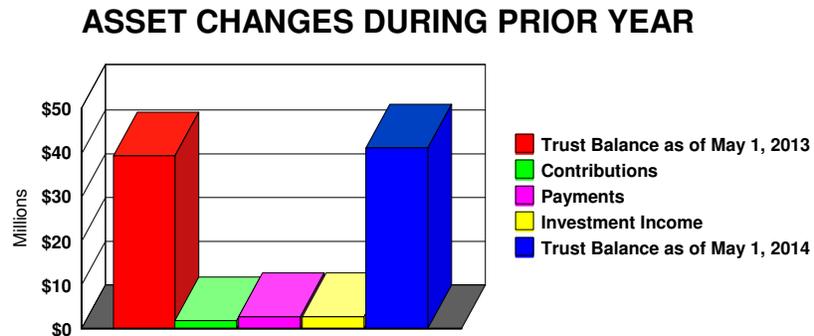
**SUMMARY OF ASSETS**

As Of May 1, 2014



## ASSET CHANGES DURING PRIOR YEAR

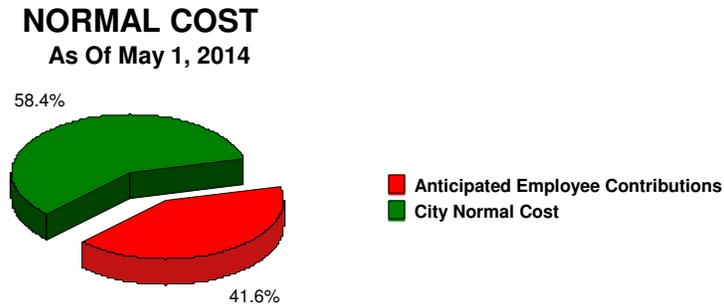
Trust Balance as of May 1, 2013		\$	39,204,712
<b>Contributions</b>			
City	1,624,064		
Employee	<u>452,525</u>		
Total			2,076,589
<b>Payments</b>			
Benefit Payments	2,780,814		
Expenses	<u>189,337</u>		
Total			2,970,151
Investment Income			<u>2,999,074</u>
Trust Balance as of May 1, 2014		\$	<u>41,310,224</u>
Approximate Annual Rate of Return			7.74%



## 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.

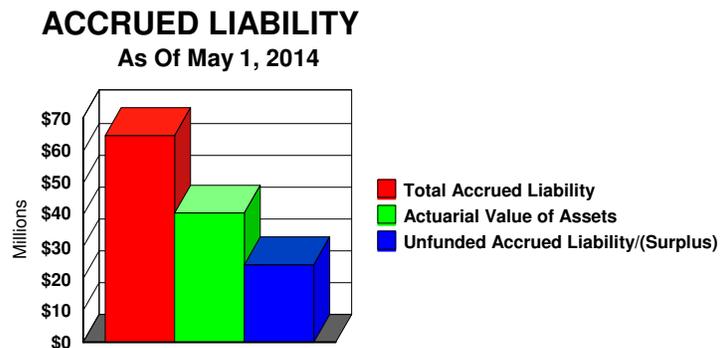
		as of May 1	
		<u>2014</u>	<u>2013</u>
Total Normal Cost	\$	1,076,871	\$ 1,073,560
Anticipated Employee Contributions		<u>448,431</u>	<u>434,385</u>
City Normal Cost		<u>628,440</u>	<u>639,175</u>
Normal Cost Payroll	\$	4,525,036	\$ 4,383,296
City Normal Cost Rate		13.89%	14.58%
Total Normal Cost Rate		23.80%	24.49%



## 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>2014</u>	<u>2013</u>
Active Employees	\$ 28,549,592	\$ 25,933,981
Children Annuities	0	0
Disability Annuities	3,622,422	2,618,898
Retirement Annuities	30,334,129	30,206,758
Surviving Spouse Annuities	1,947,007	1,502,011
Terminated Vested Annuities	<u>0</u>	<u>909,135</u>
Total Annuities	35,903,558	35,236,802
Total Accrued Liability	64,453,150	61,170,783
Actuarial Value of Assets	<u>40,269,928</u>	<u>38,311,833</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>24,183,222</u>	\$ <u>22,858,950</u>
Percent Funded	62.5%	62.6%



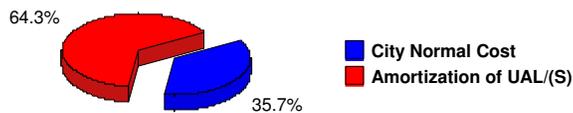
## TAX LEVY REQUIREMENT

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>2015</u>	<u>2014</u>
City Normal Cost as of Beginning of Year	\$ 628,440	\$ 639,175
Amortization of Unfunded Accrued Liability/(Surplus)	1,133,598	1,042,240
Interest for One Year	<u>114,532</u>	<u>109,292</u>
Tax Levy Requirement as of End of Year	\$ <u>1,876,570</u>	\$ <u>1,790,707</u>
Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	926,736	891,983
2) Accrued Liability (PUC)	61,550,718	58,321,927
3) Amortization Payment	709,024	646,433
4) Interest for One Year	106,324	99,997
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	\$ 1,742,084	1,638,413

### TAX LEVY REQUIREMENT

For Fiscal Year Ending April 30, 2015



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>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Current Employees				
Vested	45		45	
Nonvested	<u>8</u>		<u>8</u>	
Total	<u>53</u>		<u>53</u>	
Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	0 \$	0	0 \$	0
Disabled Employees	6	204,748	5	149,941
Retired Employees	37	2,393,217	38	2,354,510
Surviving Spouses	11	273,266	10	213,112
Terminated Vesteds	<u>0</u>	<u>0</u>	<u>1</u>	<u>47,794</u>
Total	<u>54</u>	<u>2,871,231</u>	<u>54</u>	<u>2,765,357</u>
Annual Payroll	\$	4,525,036	\$	4,383,296

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	1							1	58,348
30-34	2	2	2					6	77,266
35-39	1	2	3	1				7	82,828
40-44		5	6	7	3			21	86,777
45-49			2	2	6	1		11	87,843
50-54			1		1	3	1	6	91,839
55-59				1				1	83,664
60+									
<b>Total</b>	<u>4</u>	<u>9</u>	<u>14</u>	<u>11</u>	<u>10</u>	<u>4</u>	<u>1</u>	<u>53</u>	<u>85,378</u>
<b>Salary</b>	68,339	82,164	84,235	85,043	92,962	95,965	83,964		

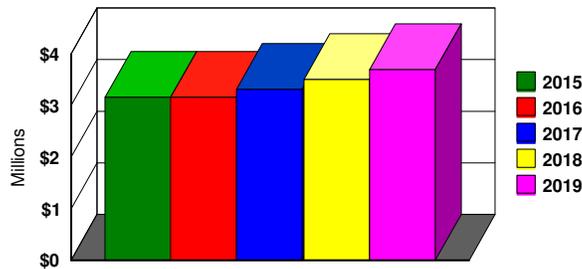
Average Age: 42.2      Average Service: 14.7

DURATION (years)    Active Members: 18.4    Retired Members: 8.7    All Members: 12.7

PROJECTED PENSION PAYMENTS

<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
2015	2016	2017	2018	2019

**PROJECTED PENSION PAYMENTS**  
2015-2019



## 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 not been materially changed from the prior year. The methods and assumptions disclosed in this report may reflect statutory requirements and may reflect the responsibility of the Principal and its advisors. Unless specifically noted otherwise, each economic and demographic assumption was selected in accordance with Actuarial Standards of Practice 27 and 35 and may reflect the views and advice of advisors to the Principal. 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, 2014
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), adjusted for future mortality improvement using 1-year setback after 15 years.
Withdrawal	Based on studies of the Fund and the Department of Insurance, Sample Rates below
Disability	Based on studies of the Fund and the Department of Insurance, Sample Rates below
Retirement	Uniform distribution from ages 50-62 (100% by age 62)
Marital Status	80% Married, Female spouses 3 years younger

ACTUARIAL ASSUMPTIONS (Continued)

<u>Sample Annual Rates Per 100 Participants</u>				
<u>Age</u>	<u>Mortality</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement</u>
20	0.04	6.00	0.07	
25	0.04	6.00	0.08	
30	0.08	5.10	0.10	
35	0.12	4.10	0.14	
40	0.14	2.85	0.20	
45	0.19	1.74	0.31	
50	0.27		0.52	20.00
55	0.50		0.99	41.67
60	0.94		1.74	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, 2014</u>	<u>April 30, 2013</u>
Retirees and beneficiaries receiving benefits	54	53
Terminated plan members entitled to but not yet receiving benefits	0	1
Active vested plan members	45	45
Active nonvested plan members	<u>8</u>	<u>8</u>
Total	<u>107</u>	<u>107</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)
04/30/12	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%
04/30/14	41,310,224	64,453,150	23,142,926	64.1%	4,525,036	511.4%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	<u>April 30, 2014</u>	<u>April 30, 2013</u>
Annual required contribution	1,616,063	1,637,408
Interest on net pension obligation	4,835	1,567
Adjustment to annual required contribution	<u>(3,456)</u>	<u>(1,091)</u>
Annual pension cost	1,617,442	1,637,884
Contributions made	<u>1,624,064</u>	<u>1,587,617</u>
Increase (decrease) in net pension obligation	(6,622)	50,267
Net pension obligation beginning of year	<u>74,377</u>	<u>24,110</u>
Net pension obligation end of year	<u>67,755</u>	<u>74,377</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>
04/30/12	2,003,502	101.0%	24,110
04/30/13	1,637,884	96.9%	74,377
04/30/14	1,617,442	100.4%	67,755

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

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:

City	35.89%	36.22%
Plan members	9.91%	Same

Annual pension cost	1,617,442	1,637,884
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Contributions made	1,624,064	1,587,617
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Actuarial valuation date	04/30/2014	04/30/2013
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Actuarial cost method	Entry age	Same
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Amortization period	Level percentage of pay, closed	Same
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Remaining amortization period	27 years	28 years
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Asset valuation method	Market	Same
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Actuarial assumptions:

Investment rate of return*	6.50%	Same
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Projected salary increases*	4.50%	Same
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*Includes inflation at	3.00%	Same
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Cost-of-living adjustments	Tier 1: 3.00% per year, compounded Tier 2: 2.00% per year, simple	Same
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