



VILLAGE OF CLARENDON HILLS
CLARENDON HILLS FIREFIGHTERS PENSION FUND

Actuarial Valuation Report

For the Year

Beginning May 1, 2011

And Ending April 30, 2012

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

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INTRODUCTION

Fire-sworn personnel of the Village of Clarendon Hills 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, 2011, and ending April 30, 2012.

The valuation results reported herein are based on plan provisions in effect as of May 1, 2011, the employee data furnished by the Village, the financial data provided by the Fund's trustee and the actuarial methods and assumptions described later in this report. I hereby certify that this report is complete and accurate and fairly presents the actuarial position of the Fund as of April 30, 2011, 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.

Respectfully submitted,

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

Date

SUMMARY OF RESULTS

The provisions of Public Act 096-1495 are reflected in this actuarial report, including changes to benefit provisions (page 13), the actuarial methods (page 14), and the amortization period and method (page 10).

There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to future interest rates. The interest rate assumption has been reduced to 7.25% from 7.50%.

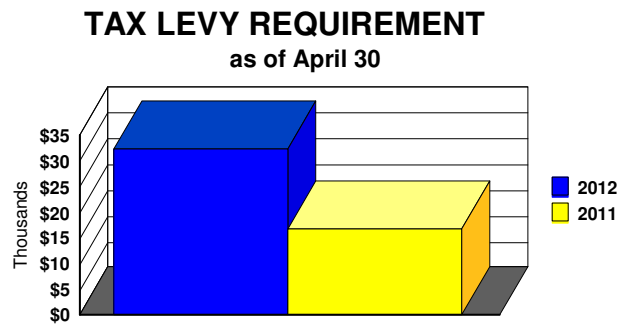
There were no unexpected changes with respect to the participants included in this actuarial valuation (0 new members, 0 terminations, 0 retirements, 0 incidents of disability, annual payroll increase 6.3%, average salary increase 6.3%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 2.46%).

The Village's Tax Levy Requirement has increased from \$16,900 last year to \$32,630 this year (93.1%). The increase in the Tax Levy is due to PA 096-1495, the investment return was less than assumed and the change to the interest rate assumption. The Percent Funded has decreased from 87.6% last year to 82.8% this year.

SUMMARY OF RESULTS (Continued)

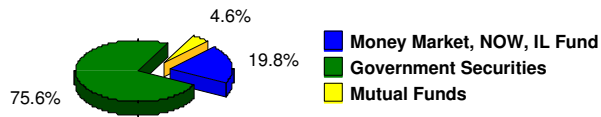
| | For Year Ending April 30 | |
|---|-----------------------------|-------------|
| | <u>2012</u> | <u>2011</u> |
| Tax Levy Requirement | \$ 32,630 | \$ 16,900 |
| | as of May 1 | |
| | <u>2011</u> | <u>2010</u> |
| Village Normal Cost | 9,898 | 9,324 |
| Anticipated Employee Contributions | 11,189 | 10,526 |
| Accrued Liability | 1,029,627 | 923,969 |
| Actuarial Value of Assets | 852,054 | 809,007 |
| Unfunded Accrued Liability/(Surplus) | 177,573 | 114,962 |
| Amortization of Unfunded Accrued Liability/(Surplus) | 9,993 | 6,397 |
| Percent Funded | 82.8% | 87.6% |
| Annual Payroll | \$ 118,337 | \$ 111,330 |



ACTUARIAL VALUATION OF ASSETS

| | | as of May 1 | |
|----------------------------|----|----------------|-------------------|
| | | <u>2011</u> | <u>2010</u> |
| Money Market, NOW, IL Fund | \$ | 167,883 | \$ 26,223 |
| Certificates of Deposit | | 0 | 0 |
| Government Securities | | 642,323 | 699,560 |
| Mutual Funds | | 39,029 | 80,207 |
| Interest Receivable | | <u>2,819</u> | <u>3,017</u> |
| Actuarial Value of Assets | \$ | <u>852,054</u> | \$ <u>809,007</u> |

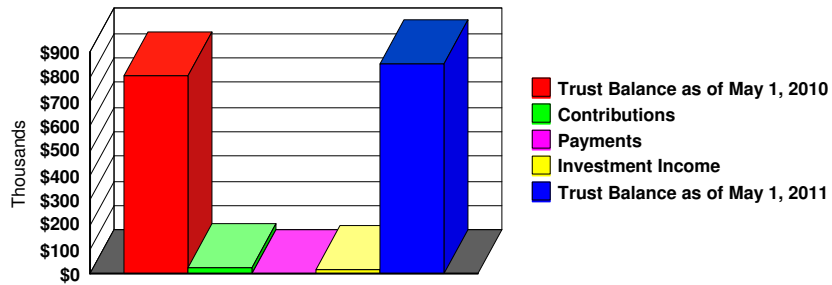
SUMMARY OF ASSETS
As Of May 1, 2011



ASSET CHANGES DURING PRIOR YEAR

| | | | |
|-----------------------------------|---------------|----|----------------|
| Trust Balance as of May 1, 2010 | | \$ | 809,007 |
| Contributions | | | |
| Village | 17,010 | | |
| Employee | <u>10,730</u> | | |
| Total | | | 27,740 |
| Payments | | | |
| Benefit Payments | 0 | | |
| Expenses | <u>4,873</u> | | |
| Total | | | 4,873 |
| Investment Income | | | <u>20,180</u> |
| Trust Balance as of May 1, 2011 | | \$ | <u>852,054</u> |
| Approximate Annual Rate of Return | | | 2.46% |

ASSET CHANGES DURING PRIOR YEAR



NORMAL COST

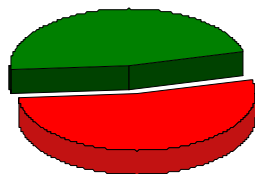
The Normal Cost is the actuarial present value of the portion of the projected benefits that are expected to accrue during the year based upon the actuarial valuation method and actuarial assumptions employed in the valuation.

| | | as of May 1 | |
|------------------------------------|----|----------------|---------------|
| | | <u>2011</u> | <u>2010</u> |
| Total Normal Cost | \$ | 21,087 | \$ 19,850 |
| Anticipated Employee Contributions | | <u>11,189</u> | <u>10,526</u> |
| Village Normal Cost | | <u>9,898</u> | <u>9,324</u> |
| Normal Cost Payroll | \$ | 118,337 | \$ 111,330 |
| Village Normal Cost Rate | | 8.36% | 8.38% |
| Total Normal Cost Rate | | 17.82% | 17.83% |

NORMAL COST

As Of May 1, 2011

46.9%

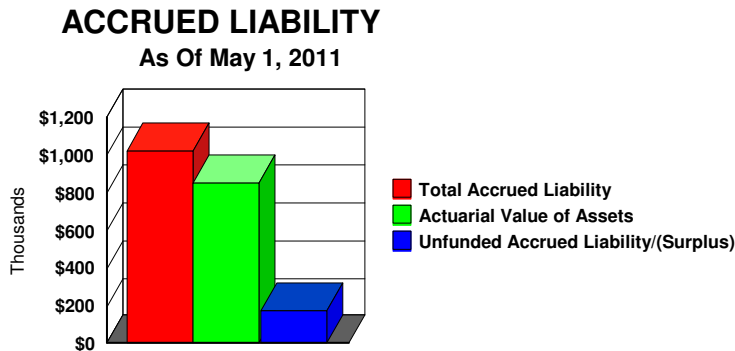


■ Anticipated Employee Contributions
■ Village Normal Cost

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>2011</u> | <u>2010</u> |
| Active Employees | \$ 1,029,627 | \$ 923,969 |
| Children Annuities | 0 | 0 |
| Disability Annuities | 0 | 0 |
| Retirement Annuities | 0 | 0 |
| Surviving Spouse Annuities | 0 | 0 |
| Terminated Vested Annuities | <u>0</u> | <u>0</u> |
| Total Annuities | 0 | 0 |
| Total Accrued Liability | 1,029,627 | 923,969 |
| Actuarial Value of Assets | <u>852,054</u> | <u>809,007</u> |
| Unfunded Accrued Liability/(Surplus) | \$ <u>177,573</u> | \$ <u>114,962</u> |
| Percent Funded | 82.8% | 87.6% |



TAX LEVY REQUIREMENT

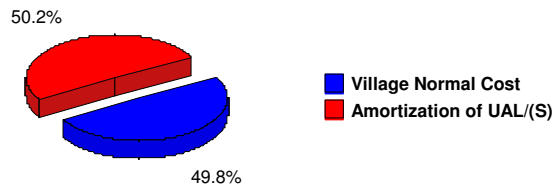
The Public Act 096-1495 Tax Levy Requirement is determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the excess (if any) of ninety percent (90%) of the accrued liability over the actuarial value of assets as a level percentage of payroll over a thirty (30)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

| | For Year Ending April 30 | |
|---|-----------------------------|------------------|
| | <u>2012</u> | <u>2011</u> |
| Village Normal Cost as of Beginning of Year | \$ 9,898 | \$ 9,324 |
| Amortization of Unfunded Accrued Liability/(Surplus) | 9,993 | 6,397 |
| Interest for One Year | <u>1,442</u> | <u>1,179</u> |
| Tax Levy Requirement as of End of Year | \$ <u>21,333</u> | \$ <u>16,900</u> |

Public Act 096-1495 Tax Levy Requirement

| | |
|--|-----------|
| 1) Normal Cost (PUC) | 28,097 |
| 2) Accrued Liability (PUC) | 1,004,730 |
| 3) Amortization Payment | 2,327 |
| 4) Interest for One Year | 2,206 |
| 5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4) | \$ 32,630 |

TAX LEVY REQUIREMENT For Fiscal Year Ending April 30, 2012



SUMMARY OF PLAN PARTICIPANTS

The actuarial valuation of the Plan is based upon the employee data furnished by the Village.
 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>2011</u> | <u>2011</u> | <u>2010</u> | <u>2010</u> |
|-----------------------|-------------|------------------------|-------------|------------------------|
| Current Employees | | | | |
| Vested | 1 | | 1 | |
| Nonvested | <u>0</u> | | <u>0</u> | |
| Total | <u>1</u> | | <u>1</u> | |
| Inactive Participants | | | | |
| | | <u>Annual Benefits</u> | | <u>Annual Benefits</u> |
| Children | 0 \$ | 0 | 0 \$ | 0 |
| Disabled Employees | 0 | 0 | 0 | 0 |
| Retired Employees | 0 | 0 | 0 | 0 |
| Surviving Spouses | 0 | 0 | 0 | 0 |
| Terminated Vesteds | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Total | <u>0</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| Annual Payroll | \$ | 118,337 | \$ | 111,330 |

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 |
|-------------|-----|-----|-------|-------|-------|----------|-----|----------|----------------|
| 55-59 | | | | | | 1 | | 1 | 118,337 |
| 60+ | | | | | | | | | |
| Total | | | | | | <u>1</u> | | <u>1</u> | <u>118,337</u> |
| Salary | | | | | | 118,337 | | | |

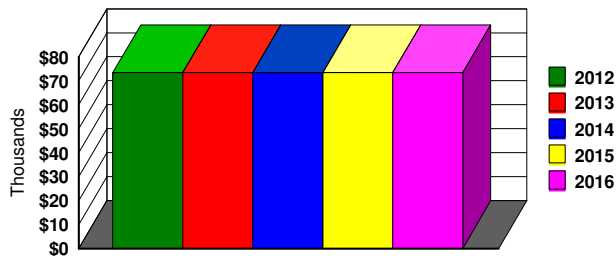
Average Age: 56.0 Average Service: 25.0

DURATION (years) Active Members: 11.5 Retired Members: NA All Members: 11.5

PROJECTED PENSION PAYMENTS

| <u>2012</u> | <u>2013</u> | <u>2014</u> | <u>2015</u> | <u>2016</u> |
|-------------|-------------|-------------|-------------|-------------|
| \$73,961 | \$73,961 | \$73,961 | \$73,961 | \$73,961 |

PROJECTED PENSION PAYMENTS
2012-2016



SUMMARY OF PLAN PROVISIONS

The Plan Provisions have been changed from the prior year (discussion at page 4).

The Village of Clarendon Hills 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 and have been changed from the prior year (discussion on page 4). The Actuarial Assumptions employed for this valuation are as follows:

| | |
|------------------------|---|
| Valuation Date | May 1, 2011 |
| Asset Valuation Method | Market Value |
| Investment Return | 7.25% |
| Salary Scale | 5.00% |
| Mortality | 1971 Group Annuity Mortality Table |
| 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

| <u>Age</u> | <u>Mortality</u> | <u>Withdrawal</u> | <u>Disability</u> | <u>Retirement</u> |
|------------|------------------|-------------------|-------------------|-------------------|
| 20 | 0.05 | 4.02 | 0.17 | |
| 30 | 0.81 | 2.56 | 0.20 | |
| 40 | 0.16 | 1.14 | 0.30 | |
| 50 | 0.53 | | 0.62 | 20.00 |
| 60 | 1.31 | | 1.84 | 83.33 |
| 62 | 1.59 | | | 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, 2011</u> | <u>April 30, 2010</u> |
|--|-----------------------|-----------------------|
| Retirees and beneficiaries receiving benefits | 0 | 0 |
| Terminated plan members entitled to but not yet receiving benefits | 0 | 0 |
| Active vested plan members | 1 | 1 |
| Active nonvested plan members | <u>0</u> | <u>0</u> |
| Total | <u>1</u> | <u>1</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) |
|--------------------------|-------------------------------|--|---------------------------|--------------------|---------------------|---|
| 04/30/09 | 749,542 | 873,347 | 123,805 | 85.8% | 107,157 | 115.5% |
| 04/30/10 | 809,007 | 923,969 | 114,962 | 87.6% | 111,330 | 103.3% |
| 04/30/11 | 852,054 | 1,029,627 | 177,573 | 82.8% | 118,337 | 150.1% |

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

| | <u>April 30, 2011</u> | <u>April 30, 2010</u> |
|---|-----------------------|-----------------------|
| Annual required contribution | 16,819 | 14,868 |
| Interest on net pension obligation | (915) | (871) |
| Adjustment to annual required contribution | <u>695</u> | <u>641</u> |
| Annual pension cost | 16,599 | 14,638 |
| Contributions made | <u>17,010</u> | <u>15,235</u> |
| Increase (decrease) in net pension obligation | (411) | (597) |
| Net pension obligation beginning of year | <u>(12,206)</u> | <u>(11,609)</u> |
| Net pension obligation end of year | <u>(12,617)</u> | <u>(12,206)</u> |

THREE-YEAR TREND INFORMATION

| Fiscal Year <u>Ending</u> | Annual Pension Cost (APC) <u>Cost (APC)</u> | Percentage of APC <u>Contributed</u> | Net Pension Obligation <u>Obligation</u> |
|---------------------------------|--|--|---|
| 04/30/09 | 16,169 | 112.6% | (11,609) |
| 04/30/10 | 14,638 | 104.1% | (12,206) |
| 04/30/11 | 16,599 | 102.5% | (12,617) |

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

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:

| | | |
|-------------------------------|---------------------------------|------------|
| Village | 14.374% | 13.684% |
| Plan members | 9.455% | Same |
| Annual pension cost | 16,599 | 14,638 |
| Contributions made | 17,010 | 15,235 |
| Actuarial valuation date | 04/30/2011 | 04/30/2010 |
| Actuarial cost method | Entry age | Same |
| Amortization period | Level percentage of pay, closed | Same |
| Remaining amortization period | 22 years | 23 years |
| Asset valuation method | Market | Same |
| Actuarial assumptions: | | |
| Investment rate of return* | 7.25% | 7.50% |
| Projected salary increases* | 5.00% | Same |
| *Includes inflation at | 3.00% | Same |
| Cost-of-living adjustments | 3.00% per year | Same |