



VILLAGE OF ORLAND PARK
ORLAND PARK POLICE PENSION FUND

Actuarial Valuation Report
For the Year
Beginning January 1, 2014
And Ending December 31, 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	17

INTRODUCTION

Police-sworn personnel of the Village of Orland Park 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 Village Officials, the Pension Board and the Village 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 Village. 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

2/3/2015

Date

SUMMARY OF RESULTS

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

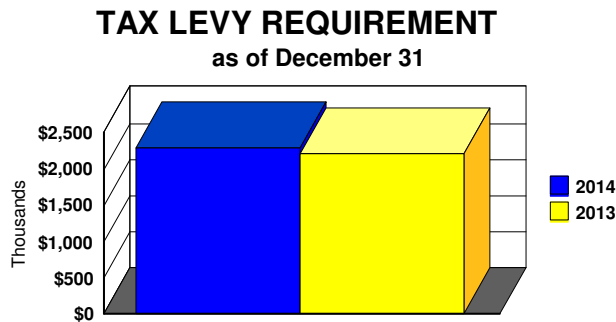
There were no unexpected changes with respect to the participants included in this actuarial valuation (8 new members, 2 termination, 4 retirements, 0 incidents of disability, annual payroll increase 5.6%, average salary increase 6.1%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 17.26%).

The Village's Tax Levy Requirement has increased from \$2,198,171 last year to \$2,298,247 this year (4.6%). The increase in the Tax Levy is due to the increase in salaries, and was offset due to the investment return was greater than assumed. The Percent Funded has increased from 75.0% last year to 75.9% this year.

SUMMARY OF RESULTS (Continued)

	For Year Ending December 31	
	<u>2014</u>	<u>2013</u>
Tax Levy Requirement	\$ 2,298,247	\$ 2,198,171
	as of January 1	
	<u>2014</u>	<u>2013</u>
Village Normal Cost	918,688	921,143
Anticipated Employee Contributions	879,023	832,738
Accrued Liability	85,305,911	79,067,771
Actuarial Value of Assets	64,710,355	59,308,942
Unfunded Accrued Liability/(Surplus)	20,595,556	19,758,829
Amortization of Unfunded Accrued Liability/(Surplus)	1,224,200	1,128,434
Percent Funded	75.9%	75.0%
Annual Payroll	\$ 8,870,063	\$ 8,403,008



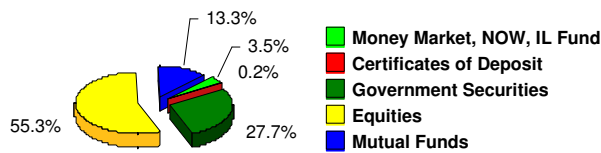
ACTUARIAL VALUATION OF ASSETS

	as of January 1	
	<u>2014</u>	<u>2013</u>
Money Market, NOW, IL Fund	\$ 2,410,768	\$ 2,589,321
Certificates of Deposit	150,000	150,000
Government Securities	19,075,656	19,813,209
Equities	38,111,789	26,891,574
Mutual Funds	9,139,304	9,135,609
Contributions Receivable	16,866	12,381
Interest Receivable	116,337	110,618
Miscellaneous Receivable/(Payable)	<u>(2,809)</u>	<u>(4,236)</u>
Market Value of Assets	<u>69,017,911</u>	<u>58,698,476</u>
Actuarial Value of Assets	\$ 64,710,355	\$ 59,308,942

FYE 2011-2013 (Gain)/Loss: \$3,483,962; (\$1,849,888); (\$5,739,010)

SUMMARY OF ASSETS

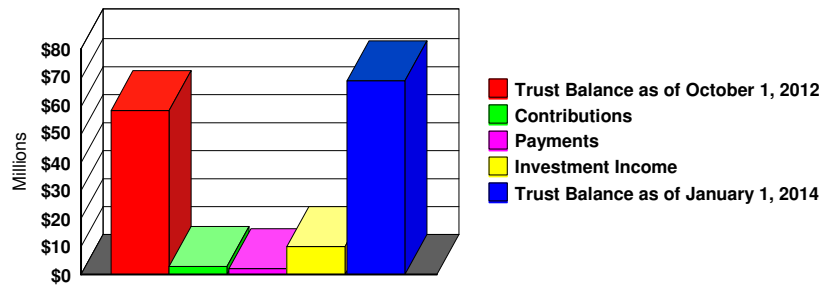
As Of January 1, 2014



ASSET CHANGES DURING PRIOR YEAR

Trust Balance as of January 1, 2013		\$	58,698,476
Contributions			
Village	2,115,062		
Employee	<u>848,083</u>		
Total			2,963,145
Payments			
Benefit Payments	2,263,477		
Expenses	<u>528,063</u>		
Total			2,791,540
Investment Income			<u>10,147,830</u>
Trust Balance as of January 1, 2014		\$	<u>69,017,911</u>
Approximate Annual Rate of Return			17.26%

ASSET CHANGES DURING PRIOR YEAR

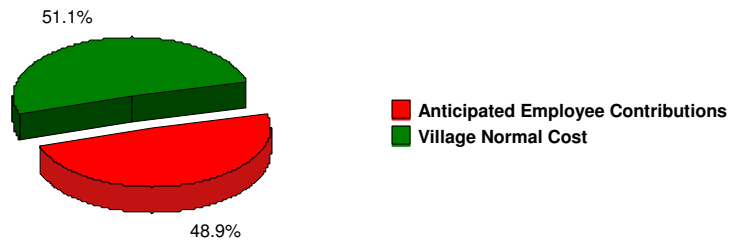


NORMAL COST

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 January 1	
	<u>2014</u>	<u>2013</u>
Total Normal Cost	\$ 1,797,711	\$ 1,753,881
Anticipated Employee Contributions	<u>879,023</u>	<u>832,738</u>
Village Normal Cost	<u>918,688</u>	<u>921,143</u>
Normal Cost Payroll	\$ 8,870,063	\$ 8,403,008
Village Normal Cost Rate	10.36%	10.96%
Total Normal Cost Rate	20.27%	20.87%

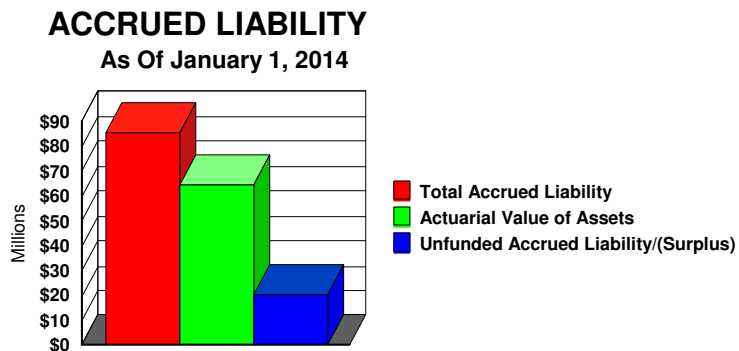
NORMAL COST As Of January 1, 2014



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 January 1	
Accrued Liability	<u>2014</u>	<u>2013</u>
Active Employees	\$ 53,145,057	\$ 51,819,520
Children Annuities	0	0
Disability Annuities	2,471,918	2,445,523
Retirement Annuities	29,147,785	24,347,517
Surviving Spouse Annuities	437,342	455,211
Terminated Vested Annuities	<u>103,809</u>	<u>0</u>
Total Annuities	32,160,854	27,248,251
Total Accrued Liability	85,305,911	79,067,771
Actuarial Value of Assets	<u>64,710,355</u>	<u>59,308,942</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>20,595,556</u>	\$ <u>19,758,829</u>
Percent Funded	75.9%	75.0%

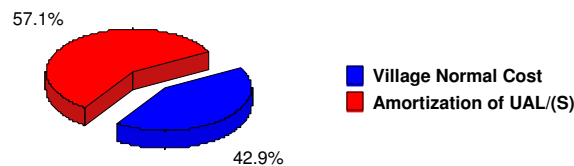


TAX LEVY REQUIREMENT

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 remains a forty (40) year period which commenced in 1993.

	For Year Ending December 31	
	<u>2014</u>	<u>2013</u>
Village Normal Cost as of Beginning of Year	\$ 918,688	\$ 921,143
Amortization of Unfunded Accrued Liability/(Surplus)	1,224,200	1,128,434
Interest for One Year	<u>155,359</u>	<u>148,594</u>
Tax Levy Requirement as of End of Year	\$ <u>2,298,247</u>	\$ <u>2,198,171</u>
 Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	1,600,175	1,525,630
2) Accrued Liability (PUC)	80,667,095	74,386,847
3) Amortization Payment	369,262	347,734
4) Interest for One Year	142,784	135,819
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	\$ 2,112,221	2,009,183

TAX LEVY REQUIREMENT For Fiscal Year Ending December 31, 2014



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>2014</u>	<u>2014</u>	<u>2013</u>	<u>2013</u>
Current Employees				
Vested	68		71	
Nonvested	<u>27</u>		<u>22</u>	
Total	<u>95</u>		<u>93</u>	
Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	0 \$	0	0 \$	0
Disabled Employees	4	138,804	4	138,804
Retired Employees	32	2,186,159	28	1,839,065
Surviving Spouses	2	70,737	2	70,737
Terminated Vesteds	<u>1</u>	<u>15,068</u>	<u>0</u>	<u>0</u>
Total	<u>39</u>	<u>2,410,768</u>	<u>34</u>	<u>2,048,606</u>
Annual Payroll	\$	8,870,063	\$	8,403,008

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	1							1	70,565
25-29	10	6						16	77,083
30-34	1	8						9	88,965
35-39		4	5	1				10	92,008
40-44		3	4	15	3			25	95,571
45-49				6	8	4		18	101,452
50-54					2	10		12	103,403
55-59					2	1	1	4	97,292
60+									
Total	<u>12</u>	<u>21</u>	<u>9</u>	<u>22</u>	<u>15</u>	<u>15</u>	<u>1</u>	<u>95</u>	<u>93,369</u>
Salary	70,828	90,062	91,901	98,175	96,361	105,586	112,666		

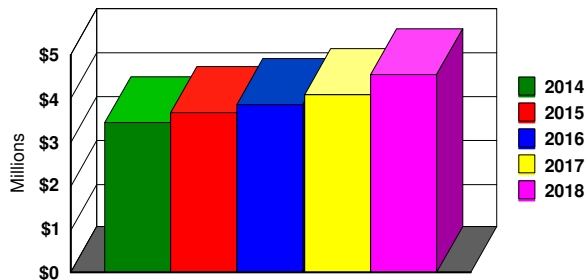
Average Age: 40.6 Average Service: 14.9

DURATION (years) Active Members: 18.9 Retired Members: 9.9 All Members: 15.3

PROJECTED PENSION PAYMENTS

<u>2014</u>	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>
\$3,464,014	\$3,680,026	\$3,879,167	\$4,108,805	\$4,559,424

**PROJECTED PENSION PAYMENTS
2014-2018**



SUMMARY OF PLAN PROVISIONS

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

The Village of Orland Park 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 (100%) of final salary for fatalities resulting from an act of duty, or otherwise 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 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 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	January 1, 2014
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.25% net of investment expenses.
Salary Scale	5.25%
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

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>December 31, 2013</u>	<u>December 31, 2012</u>
Retirees and beneficiaries receiving benefits	38	34
Terminated plan members entitled to but not yet receiving benefits	1	0
Active vested plan members	68	71
Active nonvested plan members	<u>27</u>	<u>22</u>
Total	<u>134</u>	<u>127</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)
12/31/11	52,508,820	73,095,717	20,586,897	71.8%	8,243,896	249.7%
12/31/12	58,698,476	79,067,771	20,369,295	74.2%	8,403,008	242.4%
12/31/13	69,017,911	85,305,911	16,288,000	80.9%	8,870,063	183.6%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	<u>December 31, 2013</u>	<u>December 31, 2012</u>
Annual required contribution	1,997,458	1,896,091
Interest on net pension obligation	(48,108)	(38,564)
Adjustment to annual required contribution	<u>38,616</u>	<u>29,808</u>
Annual pension cost	1,987,966	1,887,335
Contributions made	<u>2,115,062</u>	<u>2,018,985</u>
Increase (decrease) in net pension obligation	(127,096)	(131,650)
Net pension obligation beginning of year	<u>(663,561)</u>	<u>(531,911)</u>
Net pension obligation end of year	<u>(790,657)</u>	<u>(663,561)</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>
12/31/11	1,899,112	102.3%	(531,910)
12/31/12	1,887,335	107.0%	(663,561)
12/31/13	1,987,966	106.4%	(790,657)

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

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:

Village	23.84%	24.03%
Plan members	9.91%	Same

Annual pension cost	1,987,966	1,887,335
---------------------	-----------	-----------

Contributions made	2,115,062	2,018,985
--------------------	-----------	-----------

Actuarial valuation date	12/31/2013	12/31/2012
--------------------------	------------	------------

Actuarial cost method	Entry age	Same
-----------------------	-----------	------

Amortization period	Level percentage of pay, closed	Same
---------------------	---------------------------------	------

Remaining amortization period	20 years	21 years
-------------------------------	----------	----------

Asset valuation method	Market	Same
------------------------	--------	------

Actuarial assumptions:

Investment rate of return*	7.25%	Same
----------------------------	-------	------

Projected salary increases*	5.25%	Same
-----------------------------	-------	------

*Includes inflation at	3.00%	Same
------------------------	-------	------

Cost-of-living adjustments	Tier 1: 3.00% per year, compounded Tier 2: 2.00% per year, simple	Same
----------------------------	----------------------------------------------------------------------	------