

City of Wheaton, Illinois

City of Wheaton  
303 W. Wesley Street  
Wheaton, IL 60187-0727  
630-260-2000

[www.wheaton.il.us](http://www.wheaton.il.us)

## Actuarial Services

### ***Request for Proposal Amendment #1***

*The following changes / clarifications / additions have been added to the Invitation to Bid project specifications and plans:*

1. **QUESTION:** *Could you please forward a copy of the most recent actuarial reports?*  
**ANSWER:** attached

**Attachments:** Wheaton Police Actuarial Report  
Wheaton Fire Actuarial Report  
Wheaton GASB 45

Contacts for this proposal:

Joan M. Schouten CPIM CPPB; Procurement Officer; [JSchouten@wheaton.il.us](mailto:JSchouten@wheaton.il.us)



Actuary

**CITY OF WHEATON**  
**WHEATON FIREFIGHTERS PENSION FUND**

Actuarial Valuation Report

For the Year

Beginning May 1, 2015

And Ending April 30, 2016

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

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## INTRODUCTION

Fire-sworn personnel of the City of Wheaton are covered by the Firefighters 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 and 67 & 68 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

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8/4/2015

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, disability rates, turnover rates and retirement rates. The mortality rates, disability rates, turnover rates and retirement rates have been changed to the new rates most recently published by the Illinois Department of Insurance (September 2012).

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

Based on the plan sponsor's funding policy and future expected plan contributions and funded status, the plan is to be expected to produce adequate assets to make benefit payments when they are due.

The benefit payment default risk or the financial health of the plan sponsor was not deemed to be material.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

There were no unexpected changes with respect to the participants included in this actuarial valuation (3 new members, 0 terminations, 3 retirements, 0 incidents of disability, annual payroll increase 1.7%, average annual salary increase 4.0%).

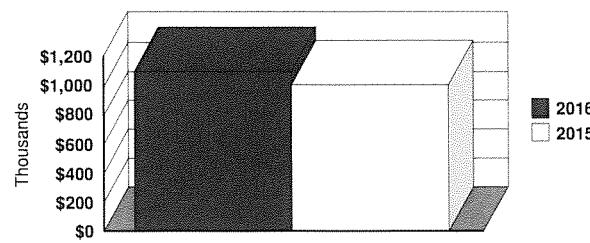
There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 5.82%).

The City's Tax Levy Requirement has increased from \$1,010,419 last year to \$1,104,091 this year (PA 096-1495, 9.3%). The increase in the Tax Levy is due to the increase in salaries, the investment return was less than assumed and the changes to the assumptions. The Percent Funded has decreased from 76.1% last year to 75.1% this year.

## SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2016</u>	<u>2015</u>
Tax Levy Requirement	\$ 1,104,091	\$ 1,010,419
	as of May 1	
	<u>2015</u>	<u>2014</u>
City Normal Cost	596,279	595,188
Anticipated Employee Contributions	342,786	337,032
Accrued Liability	36,434,744	32,993,992
Actuarial Value of Assets	27,345,548	25,100,577
Unfunded Accrued Liability/(Surplus)	9,089,196	7,893,415
Amortization of Unfunded Accrued Liability/(Surplus)	414,726	349,129
Percent Funded	75.1%	76.1%
Annual Payroll	\$ 3,625,452	\$ 3,564,593

### TAX LEVY REQUIREMENT as of April 30



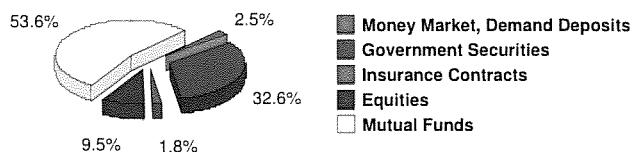
## ACTUARIAL VALUATION OF ASSETS

		as of May 1	
		<u>2015</u>	<u>2014</u>
Money Market, Demand Deposits	\$	674,896	\$ 453,006
Government Securities		8,981,532	8,505,303
Insurance Contracts		502,700	509,465
Equities		2,616,122	2,393,883
Mutual Funds		14,748,605	13,851,964
Interest Receivable		62,158	54,192
Miscellaneous Receivable/(Payable)		<u>9,378</u>	<u>8,404</u>
Market Value of Assets		<u>27,595,391</u>	<u>25,776,217</u>
Actuarial Value of Assets	\$	27,345,548	\$ 25,100,577

FYE 2012-2015 (Gain)/Loss: \$247,797; (\$756,845); (\$400,815); \$304,781

## SUMMARY OF ASSETS

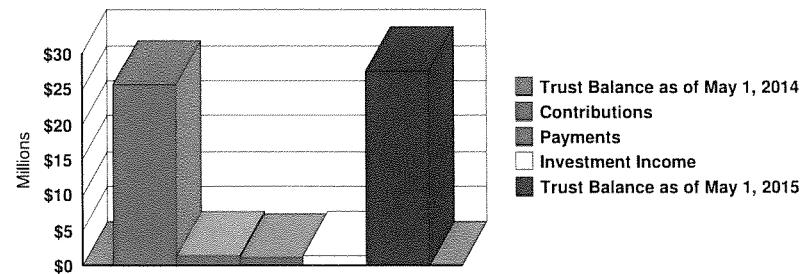
As Of May 1, 2015



## ASSET CHANGES DURING PRIOR YEAR

Trust Balance as of May 1, 2014	\$ 25,776,217
Contributions	
City	1,056,269
Employee	<u>361,941</u>
Total	1,418,210
Payments	
Benefit Payments	1,076,910
Expenses	<u>32,488</u>
Total	1,109,398
Investment Income	<u>1,510,362</u>
Trust Balance as of May 1, 2015	\$ <u>27,595,391</u>
Approximate Annual Rate of Return	5.82%

## ASSET CHANGES DURING PRIOR YEAR

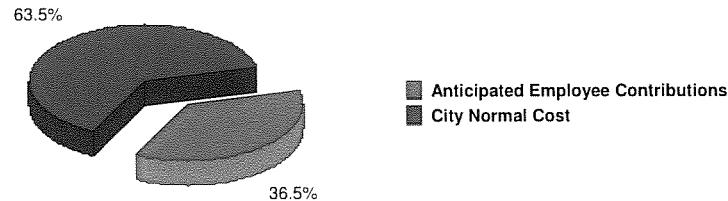


## NORMAL COST

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>2015</u>	<u>2014</u>
Total Normal Cost	\$ 939,065	\$ 932,220	
Anticipated Employee Contributions	<u>342,786</u>		<u>337,032</u>
City Normal Cost	<u>596,279</u>		<u>595,188</u>
Normal Cost Payroll	\$ 3,625,452	\$ 3,564,593	
City Normal Cost Rate	16.45%		16.70%
Total Normal Cost Rate	25.90%		26.15%

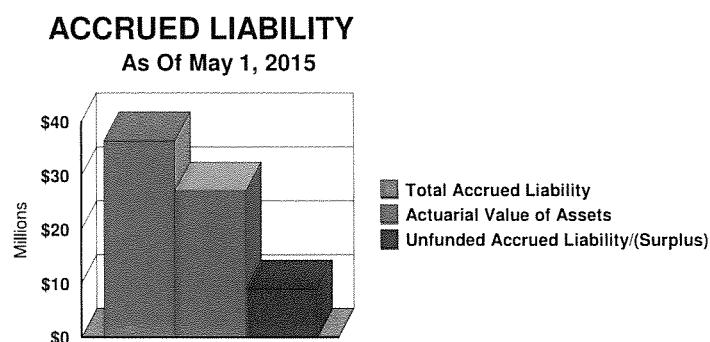
### **NORMAL COST** As Of May 1, 2015



## 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	
	<u>2015</u>	<u>2014</u>
Accrued Liability		
Active Employees	\$ 20,966,971	\$ 21,070,213
Children Annuities	0	0
Disability Annuities	841,796	798,566
Retirement Annuities	14,393,853	10,920,320
Surviving Spouse Annuities	0	0
Terminated Vested Annuities	<u>232,124</u>	<u>204,893</u>
Total Annuities	15,467,773	11,923,779
Total Accrued Liability	36,434,744	32,993,992
Actuarial Value of Assets	<u>27,345,548</u>	<u>25,100,577</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>9,089,196</u>	\$ <u>7,893,415</u>
Percent Funded	75.1%	76.1%

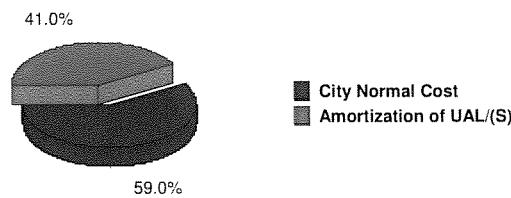


## TAX LEVY REQUIREMENT

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. The 100% amortization amount is equal to the amount to amortize the unfunded accrued liability as a level percentage of payroll over a thirty (30) year period which commenced in 2011.

	For Year Ending April 30	
	<u>2016</u>	<u>2015</u>
City Normal Cost as of Beginning of Year	\$ 596,279	\$ 595,188
Amortization of Unfunded Accrued Liability/(Surplus)	414,726	349,129
Interest for One Year	<u>70,770</u>	<u>66,102</u>
Tax Levy Requirement as of End of Year	<u>\$ 1,081,775</u>	<u>\$ 1,010,419</u>
Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	824,786	787,214
2) Accrued Liability (PUC)	35,426,466	30,979,979
3) Amortization Payment	207,075	123,023
4) Interest for One Year	72,230	63,717
5) PA 096-1495 Tax Levy Requirement	\$ 1,104,091	973,954
(1 + 3 + 4)		

## TAX LEVY REQUIREMENT For Fiscal Year Ending April 30, 2016



## 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>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Current Employees				
Vested	23		26	
Nonvested	<u>15</u>		<u>12</u>	
Total	<u>38</u>		<u>38</u>	
Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	0	\$ 0	0	\$ 0
Disabled Employees	2	86,119	2	84,555
Retired Employees	17	1,117,138	14	898,509
Surviving Spouses	0	0	0	0
Terminated Vesteds	<u>1</u>	<u>0</u>	<u>1</u>	<u>0</u>
Total	<u>20</u>	<u>1,203,257</u>	<u>17</u>	<u>983,064</u>
Annual Payroll		\$ 3,625,452		\$ 3,564,593

## 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	63,476	
25-29	2						2	66,567	
30-34	3	2					5	81,821	
35-39	1	4	2	1			8	91,517	
40-44		1	1		1		3	103,145	
45-49				7	5		12	102,887	
50-54	1				1	1	3	108,739	
55-59					3		3	103,992	
60+							1	105,331	
Total	<u>8</u>	<u>7</u>	<u>3</u>	<u>8</u>	<u>10</u>	<u>1</u>	<u>1</u>	<u>38</u>	<u>95,407</u>
Salary	77,208	91,606	95,667	100,758	107,513	93,018	105,331		

Average Age: 42.1      Average Service: 13.6

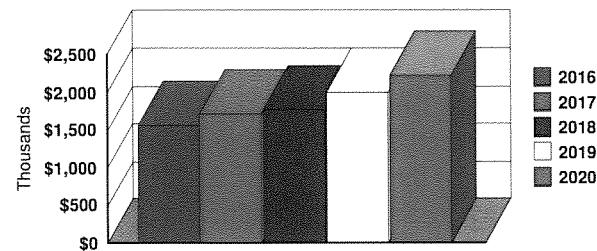
DURATION (years)    Active Members: 17.2    Retired Members: 9.4    All Members: 13.9

### PROJECTED PENSION PAYMENTS

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$1,575,931	\$1,713,830	\$1,784,295	\$1,996,994	\$2,228,513

### PROJECTED PENSION PAYMENTS

2016-2020



## SUMMARY OF PLAN PROVISIONS

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

The City of Wheaton 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 and 67 & 68 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. 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, 2015
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.00% net of investment expenses.
Salary Scale	5.50%
Mortality	RP 2000 Mortality Table (CHBCA). There is no margin for future mortality improvement beyond the valuation date.
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	Based on studies of the Fund and the Department of Insurance, Sample Rates below (100% by age 70)
Marital Status	80% Married, Female spouses 3 years younger

ACTUARIAL ASSUMPTIONS (*Continued*)

<u>Age</u>	<u>Sample Annual Rates Per 100 Participants</u>			
	<u>Mortality</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement</u>
20	0.03	9.00	0.10	
25	0.04	5.00	0.10	
30	0.07	2.50	0.20	
35	0.11	2.00	0.35	
40	0.14	1.00	0.50	
45	0.18	1.00	0.65	
50	0.24	1.00	1.00	14.00
55	0.42	1.00	1.50	20.00
60	0.83	1.00	3.00	25.00
65	1.55	1.00	4.25	50.00
70	2.68			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, 2015</u>	<u>April 30, 2014</u>
Retirees and beneficiaries receiving benefits	19	16
Terminated plan members entitled to but not yet receiving benefits	1	1
Active vested plan members	23	26
Active nonvested plan members	<u>15</u>	<u>12</u>
Total	<u>58</u>	<u>55</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)
04/30/13	23,400,264	30,762,487	7,362,223	76.1%	3,417,927	215.4%
04/30/14	25,776,217	32,993,992	7,217,775	78.1%	3,564,593	202.5%
04/30/15	27,595,391	36,434,744	8,839,353	75.7%	3,625,452	243.8%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	<u>April 30, 2015</u>	<u>April 30, 2014</u>
Annual required contribution	981,067	937,422
Interest on net pension obligation	(91,660)	(91,615)
Adjustment to annual required contribution	<u>58,740</u>	<u>53,254</u>
Annual pension cost	948,147	899,061
Contributions made	<u>1,056,269</u>	<u>944,837</u>
Increase (decrease) in net pension obligation	(108,122)	(45,776)
Net pension obligation beginning of year	<u>(1,309,427)</u>	<u>(1,263,651)</u>
Net pension obligation end of year	<u>(1,417,549)</u>	<u>(1,309,427)</u>

THREE-YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
04/30/13	855,947	108.9%	(1,263,651)
04/30/14	899,061	105.1%	(1,309,427)
04/30/15	948,147	111.4%	(1,417,549)

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

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:

City	29.135%	26.506%
Plan members	9.455%	Same

Annual pension cost	948,147	899,061
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Contributions made	1,056,269	944,837
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Actuarial valuation date	04/30/2015	04/30/2014
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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	26 years	27 years
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Asset valuation method	Market	Same
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Actuarial assumptions:

Investment rate of return*	7.00%	Same
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Projected salary increases*	5.50%	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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## GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION

Plan Membership	April 30, 2015
Inactive plan members or beneficiaries currently receiving benefits	19
Inactive plan members entitled to but not yet receiving benefits	1
Active plan members	<u>38</u>
Total	<u>58</u>

Net Pension Liability of the City	
Total pension liability	36,434,744
Plan fiduciary net position	27,595,391
City's net pension liability	8,839,353
Plan fiduciary net position as a percentage of the total pension liability	75.74%

Actuarial Assumptions	
Inflation	3.00%
Salary increases	5.50%
Investment rate of return	7.00% net of expenses

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Based on those assumptions, the discount rate was determined in accordance with paragraphs 40-45. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate			
	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	13,584,085	8,839,353	4,867,100

GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of Changes in the City's Net Pension Liability and Related Ratios

Total Pension Liability	April 30, 2015
Service cost	997,475
Interest	2,271,888
Changes of benefit terms	0
Differences between expected and actual experience	(173,492)
Changes of assumptions	1,421,791
Benefit payments, including refunds of member contributions	1,076,910
Net change in total pension liability	3,440,752
Total pension liability - beginning	32,993,992
Total pension liability - ending	36,434,744
Plan Fiduciary Net Position	
Contributions - employer	1,056,269
Contributions - member	361,941
Net investment income	1,510,362
Benefit payments, including refunds of member contributions	1,076,910
Administrative expense	32,488
Other	0
Net change in plan fiduciary net position	1,819,174
Plan fiduciary net position - beginning	25,776,217
Plan fiduciary net position - ending	27,595,391
City's net pension liability	8,839,353
Plan fiduciary net position	75.74%
as a percentage of the total pension liability	
Covered-employee payroll	3,625,452
City's net pension liability	243.81%
as a percentage of covered-employee payroll	

GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of City Contributions

	April 30, 2015
Actuarially determined contribution	1,056,269
Contributions in relation to the actuarially determined contribution	1,056,269
Contribution deficiency (Excess)	0
Covered-employee payroll	3,625,452
Contributions as a percentage of covered-employee payroll	29.13%

Notes to schedule

Valuation date	April 30,2015
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Remaining amortization period	26 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	5.50%
Investment rate of return	7.00%
Retirement age	50-70
Mortality	RP 2000 CHBCA
Other	

Mortality rates were based on the RP-2000 CHBCA Mortality Table. The actuarial assumptions used in the April 30, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.



Actuary

**CITY OF WHEATON**  
**WHEATON POLICE PENSION FUND**

Actuarial Valuation Report

For the Year

Beginning May 1, 2015

And Ending April 30, 2016

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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 Wheaton 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 and 67 & 68 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

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8/4/2015

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, disability rates, turnover rates and retirement rates. The mortality rates, disability rates, turnover rates and retirement rates have been changed to the new rates most recently published by the Illinois Department of Insurance (September 2012).

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

Based on the plan sponsor's funding policy and future expected plan contributions and funded status, the plan is to be expected to produce adequate assets to make benefit payments when they are due.

The benefit payment default risk or the financial health of the plan sponsor was not deemed to be material.

Future actuarial measurements may differ significantly from the current measurements presented in this report due to such factors as the following: plan experience differing from that anticipated by the economic or demographic assumptions; changes in economic or demographic assumptions; increases or decreases expected as part of the natural operation of the methodology used for these measurements (such as the end of an amortization period or additional cost or contribution requirements based on the plan's funded status); and changes in plan provisions or applicable law.

Due to the limited scope of the actuary's assignment, the actuary did not perform an analysis of the potential range of such future measurements.

There were no unexpected changes with respect to the participants included in this actuarial valuation (5 new members, 1 termination, 3 retirements, 0 incidents of disability, annual payroll increase 2.0%, average salary increased 3.6%).

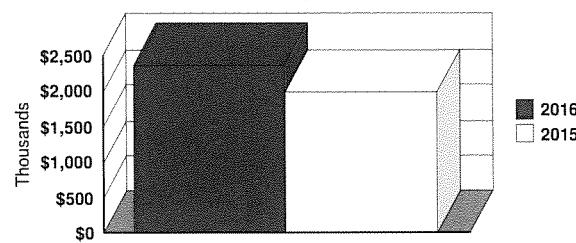
There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 5.01%).

The City's Tax Levy Requirement has increased from \$2,000,982 last year to \$2,378,653 this year (18.9%). The increase in the Tax Levy is due to the increase in salaries, the investment return was less than assumed and the changes to the assumptions. The Percent Funded has decreased from 64.9% last year to 61.6% this year.

## SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2016</u>	<u>2015</u>
Tax Levy Requirement	\$ 2,378,653	\$ 2,000,982
	as of May 1	
	<u>2015</u>	<u>2014</u>
City Normal Cost	842,245	777,798
Anticipated Employee Contributions	615,846	604,031
Accrued Liability	78,741,575	70,382,372
Actuarial Value of Assets	48,479,899	45,687,160
Unfunded Accrued Liability/(Surplus)	30,261,676	24,695,212
Amortization of Unfunded Accrued Liability/(Surplus)	1,380,795	1,092,279
Percent Funded	61.6%	64.9%
Annual Payroll	\$ 6,214,386	\$ 6,095,171

### TAX LEVY REQUIREMENT as of April 30



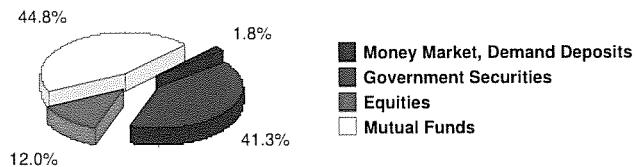
## ACTUARIAL VALUATION OF ASSETS

		as of May 1	
		<u>2015</u>	<u>2014</u>
Money Market, Demand Deposits	\$ 880,946	\$ 1,565,260	
Government Securities	19,862,249	19,370,357	
Equities	5,767,520	11,061,603	
Mutual Funds	21,549,365	14,190,036	
Interest Receivable	139,915	135,299	
Miscellaneous Receivable/(Payable)	<u>17,068</u>	<u>7,599</u>	
Market Value of Assets	<u>48,217,063</u>	<u>46,330,154</u>	
Actuarial Value of Assets	\$ 48,479,899	\$ 45,687,160	

FYE 2012-2015 (Gain)/Loss: \$327,364; (\$872,377); (\$313,142); \$917,749

## SUMMARY OF ASSETS

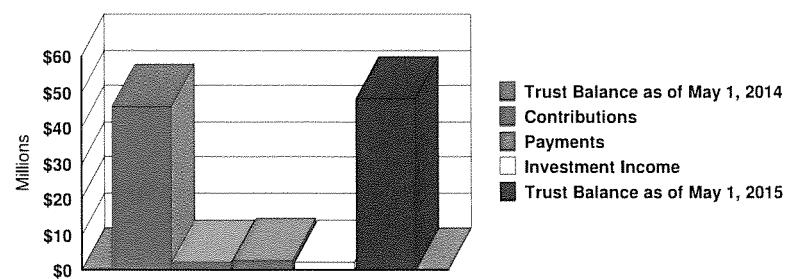
As Of May 1, 2015



## ASSET CHANGES DURING PRIOR YEAR

Trust Balance as of May 1, 2014	\$ 46,330,154
<b>Contributions</b>	
City	1,961,084
Employee	<u>620,732</u>
Total	2,581,816
<b>Payments</b>	
Benefit Payments	2,943,524
Expenses	<u>61,918</u>
Total	3,005,442
Investment Income	<u>2,310,535</u>
Trust Balance as of May 1, 2015	\$ <u>48,217,063</u>
Approximate Annual Rate of Return	5.01%

## ASSET CHANGES DURING PRIOR YEAR

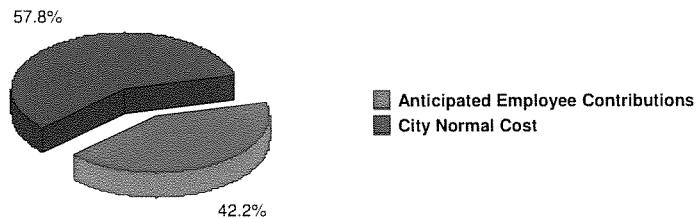


## NORMAL COST

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>2015</u>	<u>2014</u>
Total Normal Cost	\$ 1,458,091	\$ 1,381,829
Anticipated Employee Contributions	<u>615,846</u>	<u>604,031</u>
City Normal Cost	<u>842,245</u>	<u>777,798</u>
Normal Cost Payroll	\$ 6,214,386	\$ 6,095,171
City Normal Cost Rate	13.55%	12.76%
Total Normal Cost Rate	23.46%	22.67%

### NORMAL COST As Of May 1, 2015

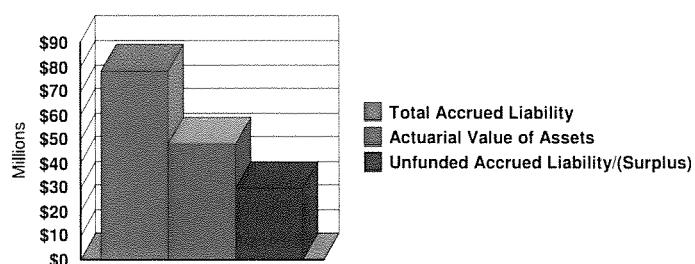


## ACCRUED LIABILITY

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	
	<u>2015</u>	<u>2014</u>
Accrued Liability		
Active Employees	\$ 40,214,229	\$ 37,427,674
Children Annuities	0	0
Disability Annuities	2,026,633	1,908,305
Retirement Annuities	31,273,231	28,110,947
Surviving Spouse Annuities	3,366,751	1,976,139
Terminated Vested Annuities	<u>1,860,731</u>	<u>959,307</u>
Total Annuities	38,527,346	32,954,698
Total Accrued Liability	78,741,575	70,382,372
Actuarial Value of Assets	<u>48,479,899</u>	<u>45,687,160</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>30,261,676</u>	\$ <u>24,695,212</u>
Percent Funded	61.6%	64.9%

## ACCRUED LIABILITY As Of May 1, 2015

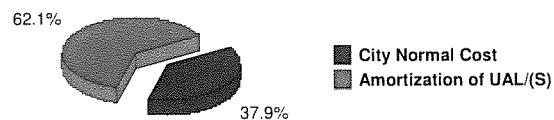


## TAX LEVY REQUIREMENT

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. The 100% amortization amount is equal to the amount to amortize the unfunded accrued liability as a level percentage of payroll over a thirty (30) year period which commenced in 2011.

	For Year Ending April 30	
	<u>2016</u>	<u>2015</u>
City Normal Cost as of Beginning of Year	\$ 842,245	\$ 777,798
Amortization of Unfunded Accrued Liability/(Surplus)	1,380,795	1,092,279
Interest for One Year	<u>155,613</u>	<u>130,905</u>
Tax Levy Requirement as of End of Year	<u>\$ 2,378,653</u>	<u>\$ 2,000,982</u>
Public Act 096-1495 Tax Levy Requirement		
1) Normal Cost (PUC)	1,253,918	1,183,155
2) Accrued Liability (PUC)	76,489,958	67,193,519
3) Amortization Payment	929,045	654,035
4) Interest for One Year	152,807	128,603
5) PA 096-1495 Tax Levy Requirement	\$ 2,335,770	1,965,793
(1 + 3 + 4)		

## TAX LEVY REQUIREMENT For Fiscal Year Ending April 30, 2016



## 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>2015</u>	<u>2015</u>	<u>2014</u>	<u>2014</u>
Current Employees				
Vested	48		48	
Nonvested	<u>16</u>		<u>15</u>	
Total	<u>64</u>		<u>63</u>	
Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	0	\$ 0	0	\$ 0
Disabled Employees	4	149,579	4	148,272
Retired Employees	37	2,375,893	36	2,226,997
Surviving Spouses	13	382,034	12	302,887
Terminated Vesteds	<u>2</u>	<u>102,125</u>	<u>1</u>	<u>54,625</u>
Total	<u>56</u>	<u>3,009,631</u>	<u>53</u>	<u>2,732,781</u>
Annual Payroll		\$ 6,214,386		\$ 6,095,171

## 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	2						2	66,467	
25-29	6						6	70,864	
30-34	2	8	1				11	90,739	
35-39	1	1	6	2			10	97,835	
40-44		1	1	5	2		9	102,898	
45-49			1	5	7	6	19	104,965	
50-54					2	1	3	96,689	
55-59			1		1		1	125,534	
60+			1				1	92,683	
Total	<u>11</u>	<u>10</u>	<u>11</u>	<u>12</u>	<u>12</u>	<u>7</u>	<u>1</u>	<u>64</u>	<u>97,100</u>
Salary	71,595	94,093	97,964	96,712	113,127	107,596	137,080		

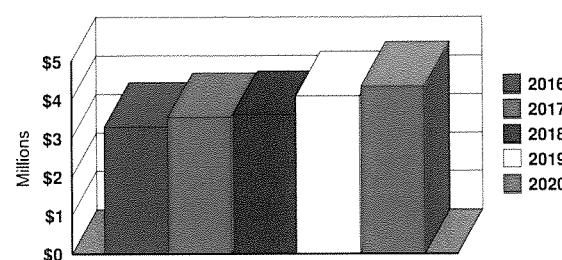
Average Age: 40.2      Average Service: 14.2

DURATION (years)    Active Members: 18.4    Retired Members: 10.0    All Members: 14.3

## PROJECTED PENSION PAYMENTS

<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>
\$3,303,195	\$3,571,890	\$3,647,376	\$4,113,364	\$4,380,635

## PROJECTED PENSION PAYMENTS 2016-2020



## SUMMARY OF PLAN PROVISIONS

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

The City of Wheaton 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 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 and 67 & 68 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. 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, 2015
Asset Valuation Method	5-year Average Market Value (PA 096-1495)
Investment Return	7.00% net of investment expenses.
Salary Scale	5.50%
Mortality	RP 2000 Mortality Table (CHBCA). There is no margin for future mortality improvement beyond the valuation date.
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	Based on studies of the Fund and the Department of Insurance, Sample Rates below (100% by age 70)
Marital Status	80% Married, Female spouses 3 years younger

ACTUARIAL ASSUMPTIONS (*Continued*)

<u>Age</u>	<u>Sample Annual Rates Per 100 Participants</u>			
	<u>Mortality</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement</u>
20	0.03	10.00	0.05	
25	0.04	7.50	0.05	
30	0.07	5.00	0.22	
35	0.11	3.00	0.26	
40	0.14	2.00	0.40	
45	0.18	2.00	0.65	
50	0.24	3.50	0.95	20.00
55	0.42	3.50	1.30	25.00
60	0.83	3.50	1.65	33.00
65	1.55	3.50	2.00	50.00
70	2.68			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, 2015</u>	<u>April 30, 2014</u>
Retirees and beneficiaries receiving benefits	54	52
Terminated plan members entitled to but not yet receiving benefits	2	1
Active vested plan members	48	48
Active nonvested plan members	<u>16</u>	<u>15</u>
Total	<u>120</u>	<u>116</u>
Number of participating employers	1	1

## SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Liability (AAL) -Entry Age (b)	Accrued (b-a)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll
							<u>((b-a)/c)</u>
04/30/13	43,190,885	66,319,336	23,128,451	65.1%	6,118,975		378.0%
04/30/14	46,330,154	70,382,372	24,052,218	65.8%	6,095,171		394.6%
04/30/15	48,217,063	78,741,575	30,524,512	61.2%	6,214,386		491.2%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	<u>April 30, 2015</u>	<u>April 30, 2014</u>
Annual required contribution	1,961,084	1,824,529
Interest on net pension obligation	(67,184)	(67,534)
Adjustment to annual required contribution	<u>43,055</u>	<u>39,256</u>
Annual pension cost	1,936,955	1,796,251
Contributions made	<u>1,961,084</u>	<u>1,824,529</u>
Increase (decrease) in net pension obligation	(24,129)	(28,278)
Net pension obligation beginning of year	<u>(959,775)</u>	<u>(931,497)</u>
Net pension obligation end of year	<u>(983,904)</u>	<u>(959,775)</u>

THREE-YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
04/30/13	1,754,259	101.6%	(931,497)
04/30/14	1,796,251	101.6%	(959,775)
04/30/15	1,936,955	101.2%	(983,904)

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

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:

City	31.56%	29.93%
Plan members	9.91%	Same

Annual pension cost	1,936,955	1,796,251
---------------------	-----------	-----------

Contributions made	1,961,084	1,824,529
--------------------	-----------	-----------

Actuarial valuation date	04/30/2015	04/30/2014
--------------------------	------------	------------

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

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

Remaining amortization period	26 years	27 years
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Asset valuation method	Market	Same
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Actuarial assumptions:

Investment rate of return*	7.00%	Same
Projected salary increases*	5.50%	Same

*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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## GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION

Plan Membership	April 30, 2015
Inactive plan members or beneficiaries currently receiving benefits	54
Inactive plan members entitled to but not yet receiving benefits	2
Active plan members	64
<b>Total</b>	<b><u>120</u></b>

Net Pension Liability of the City	
Total pension liability	78,741,575
Plan fiduciary net position	48,217,063
City's net pension liability	30,524,512
Plan fiduciary net position as a percentage of the total pension liability	61.23%

Actuarial Assumptions	
Inflation	3.00%
Salary increases	5.50%
Investment rate of return	7.00% net of expenses

The projection of cash flows used to determine the discount rate assumed that plan member contributions will be made at the current contribution rate and that City contributions will be made at rates equal to the difference between actuarially determined contribution rates and the member rate. Based on those assumptions, the pension plan's fiduciary net position was projected to be available to make all projected future benefit payments of current members. Therefore, the long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Based on those assumptions, the discount rate was determined in accordance with paragraphs 40-45. Therefore, the discount rate was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Net Pension Liability to Changes in the Discount Rate	1% Decrease	Current Discount Rate	1% Increase
	6.00%	7.00%	8.00%
Net Pension Liability	41,060,761	30,524,512	21,797,978

GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of Changes in the City's Net Pension Liability and Related Ratios

Total Pension Liability	April 30, 2015
Service cost	1,478,557
Interest	4,823,743
Changes of benefit terms	0
Differences between expected and actual experience	(311,214)
Changes of assumptions	5,311,642
Benefit payments, including refunds of member contributions	2,943,524
Net change in total pension liability	8,359,203
Total pension liability - beginning	70,382,372
Total pension liability - ending	78,741,575
Plan Fiduciary Net Position	
Contributions - employer	1,961,084
Contributions - member	620,732
Net investment income	2,310,535
Benefit payments, including refunds of member contributions	2,943,524
Administrative expense	61,918
Other	0
Net change in plan fiduciary net position	1,886,909
Plan fiduciary net position - beginning	46,330,154
Plan fiduciary net position - ending	48,217,063
City's net pension liability	30,524,512
Plan fiduciary net position	61.23%
as a percentage of the total pension liability	
Covered-employee payroll	6,214,386
City's net pension liability	491.19%
as a percentage of covered-employee payroll	

GASB STATEMENTS NO. 67 & 68 DISCLOSURE INFORMATION (continued)

Schedule of City Contributions

	April 30, 2015
Actuarially determined contribution	1,961,084
Contributions in relation to the actuarially determined contribution	1,961,084
Contribution deficiency (Excess)	0
Covered-employee payroll	6,214,386
Contributions as a percentage of covered-employee payroll	31.56%

Notes to schedule

Valuation date	April 30, 2015
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Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Amortization method	Level Percentage of Pay
Remaining amortization period	26 years
Asset valuation method	Market Value
Inflation	3.00%
Salary increases	5.50%
Investment rate of return	7.00%
Retirement age	50-70
Mortality	RP 2000 CHBCA
Other	

Mortality rates were based on the RP-2000 CHBCA Mortality Table. The actuarial assumptions used in the April 30, 2015 valuation were based on the results of an actuarial experience study conducted by the Illinois Department of Insurance dated September 26, 2012.



Actuary

**CITY OF WHEATON**  
**HEALTH INSURANCE PLAN FOR RETIRED EMPLOYEES**

Actuarial Valuation Report

For the Year

Beginning May 1, 2015

And Ending April 30, 2016

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

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## INTRODUCTION

The City of Wheaton provides limited health care insurance coverage for its eligible retired employees. The purpose of this report is to provide to the Intended Users of this report, specifically the Intended Users are the City Officials and the City auditors, the reporting requirements of the GASB Statements No. 43 & 45 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 last actuarial valuation was completed two years ago, thus the results from the prior actuarial valuation were relied upon for the past two years.

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 Plan 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

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7/21/2015

Date

## GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION

The Governmental Accounting Standards Board (GASB) issued Statements No. 43 & 45 that established generally accepted accounting principles for the annual financial statements for postemployment benefit plans other than pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

	<u>April 30, 2015<sup>1</sup></u>	<u>April 30, 2014</u>
Retirees and beneficiaries receiving benefits	19	19
Terminated plan members entitled to but not yet receiving benefits	0	0
Active vested plan members	124	124
Active nonvested plan members	<u>60</u>	<u>60</u>
Total	<u>203</u>	<u>203</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)
04/30/13 <sup>1</sup>	0	2,870,357	2,870,357	0.0%	15,896,519	18.1%
04/30/14	0	2,372,311	2,372,311	0.0%	17,239,746	13.8%
04/30/15 <sup>1</sup>	0	2,372,311	2,372,311	0.0%	17,239,746	13.8%

<sup>1</sup> Results from prior year.

GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION (Continued)

ANNUAL OPEB COST AND NET OPEB OBLIGATION

	<u>April 30, 2015</u>	<u>April 30, 2014</u>
Annual required contribution	177,088	206,587
Interest on net OPEB obligation	12,451	10,113
Adjustment to annual required contribution	<u>(10,376)</u>	<u>(8,428)</u>
Annual OPEB cost	179,163	208,272
Contributions made	<u>102,384</u>	<u>149,819</u>
Increase (decrease) in net OPEB obligation	76,779	58,453
Net OPEB obligation beginning of year	<u>311,284</u>	<u>252,831</u>
Net OPEB obligation end of year	<u>388,063</u>	<u>311,284</u>

THREE-YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual OPEB Cost</u>	<u>Percentage of Annual OPEB Cost Contributed</u>	<u>Net OPEB Obligation</u>
04/30/13	207,886	72.1%	252,831
04/30/14	208,272	71.9%	311,284
04/30/15	179,163	57.1%	388,063

ANNUAL REQUIRED CONTRIBUTION

	<u>April 30, 2016<sup>1</sup></u>	<u>April 30, 2015</u>
Service Cost	91,200	91,200
Amortization	79,077	79,077
Interest	<u>6,811</u>	<u>6,811</u>
Annual required contribution	<u>177,088</u>	<u>177,088</u>

<sup>1</sup> Results from prior year.

## GASB STATEMENTS NO. 43 & 45 DISCLOSURE INFORMATION (Continued)

### FUNDING POLICY AND ACTUARIAL ASSUMPTIONS

The last actuarial valuation was completed one year ago (04/30/2014). The Net OPEB Obligation has been updated through 04/30/2015.

#### Contribution rates:

City	0.87%
Plan members	0.00%

Actuarial valuation date	04/30/2014
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Actuarial cost method	Entry age
Amortization period	Level percentage of pay, open
Remaining amortization period	30 years

Asset valuation method	Market
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#### Actuarial assumptions:

Investment rate of return*	4.00%
Projected salary increases	4.00%
Healthcare inflation rate	7.50% initial, 5.50% ultimate (0.5% reduction per year)
Mortality, Turnover, Disability, Retirement Ages	Similar rates utilized for IMRF, Police, and Firefighter Pension Funds
Percentage of Active Employees Assumed to Elect Benefit	40%
Assumed Coverage Elections	50% Single Coverage, 50% Single plus Spouse
Current Premium Rates	to age 65: Single: \$663/mo; Single plus Spouse: \$1,321/mo
* Includes inflation at	3.00%

**CITY OF WHEATON**  
**GASB 45 Summary as of April 30, 2014**

Division	Service Cost	Active Liability	Retired Liability	Total Liability	Annual Required Contribution				Actives	Retirees	Total
					Contribution	Payments	Actives	Retirees			
General Government	9,682	140,104	29,738	169,842	15,957	6,365	40	2	42		
Public Safety	73,235	1,302,112	529,797	1,831,909	139,670	49,238	110	9	119		
Highways and Streets	1,298	23,893	130,255	154,148	6,694	30,914	7	5	12		
5010 & 5040	606	14,995	6,439	21,434	1,374	3,182	2	1	3		
5110 & 5120 & 5130	75	2,547	0	2,547	166	0	1	0	1		
5210 & 5220	770	4,827	0	4,827	969	0	2	0	2		
6010	0	0	87,172	87,172	3,022	12,685	0	2	2		
Library	5,533	100,432	0	100,432	9,236	0	22	0	22		
<b>Total</b>	<b>91,200</b>	<b>1,588,910</b>	<b>783,401</b>	<b>2,372,311</b>	<b>177,088</b>	<b>102,384</b>	<b>184</b>	<b>19</b>	<b>203</b>		

**Discount Rate: 4.0%**

**Medical Inflation Rate: 7.5% initial, 5.5% ultimate**

**Future Payroll Increases: 4.0%**

## SUMMARY OF PLAN PROVISIONS AND BENEFITS

The Employer is subject to the State of Illinois Municipal Employee's Health Insurance Continuation Law:

"Municipal Continuation coverage must be offered to you and your eligible dependents who were covered under your group coverage on the day before your retirement or disability period began. The retirement or disability period begins on the day you are removed from the municipality's payroll for any of the following reasons:

- You retire from active service and are immediately eligible for an IMRF pension (40 ILCS 5/7-101). You are not required to actually begin the pension, but must be eligible to immediately receive the pension on the date of termination;
- You are eligible to receive an IMRF disability benefit;
- You are an IMRF SLEP (Sheriff Law Employment Personnel) participant who terminates employment (at any age) with at least 20 years of SLEP credit.

The premium for Municipal Continuation coverage for you, your spouse and dependent children may not exceed that of the group rate. The municipality is not required by law to pay any portion of the continuation premium. However, a collective bargaining agreement may contain terms for such an arrangement.

Benefits must be the same as they were under your previous group coverage. However, if you are Medicare eligible, you may be provided with a reduced benefit plan, even if you do not elect Medicare Part B.

Municipal Continuation coverage must be provided until the end of your retirement or disability period, as long as you pay premiums. The retirement or disability period ends when any of the following events occur:

- You return to IMRF covered employment;
- You take a refund of IMRF contributions;
- You lose your pension or disability benefits due to conviction of a job-related felony;
- You die;
- Your former employer terminates health coverage for all employees (both active employees and those on continuation).

If your surviving spouse is entitled to receive a surviving spouse's monthly pension, Municipal Continuation coverage must be provided to your spouse and covered dependents without further election upon the timely payment of required premiums. The eligibility for the surviving spouse ends upon the death or remarriage of that spouse. Continuation for covered dependents end on the date it would have otherwise ended (such as attainment of the limiting age).

## SUMMARY OF PLAN PROVISIONS AND BENEFITS (Continued)

You are still entitled to elect or continue your Municipal Continuation coverage even if you become eligible for Medicare. However, the plan may reduce its benefits for individuals who are eligible for Medicare, even if you do not elect Medicare.”

The Employer’s Implicit Rate Subsidy to age 65 is based on the Employer’s current group rates, the age adjustments of GASB 45, Paragraph 35, Table 3, and adjusted for inflation.

There is no assumed Employer Implicit Rate Subsidy beyond age 65.

The Employer’s Explicit Rate Subsidy is for eligible disabled members only and is 100% of the premium for life, adjusted for inflation.

## ACTUARIAL METHOD AND TABLES

### 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 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 AND TABLES

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.

Mortality Table: RP2000 CH, adjusted for future mortality improvement using 1-year setback after 15 years.

Age	Mortality	Withdrawal			Disability			Retirement		
		IMRF	Police	Fire	IMRF	Police	Fire	IMRF	Police & Fire	
20	0.05%	6.1%	6.0%	4.0%	0.01%	0.07%	0.17%			
25	0.07%	5.1%	6.0%	3.5%	0.01%	0.08%	0.19%			
30	0.09%	4.1%	5.1%	2.6%	0.01%	0.10%	0.20%			
35	0.09%	3.3%	4.1%	1.8%	0.02%	0.11%	0.24%			
40	0.11%	2.7%	2.9%	1.1%	0.04%	0.20%	0.30%			
45	0.14%	2.3%	1.7%	0.6%	0.06%	0.29%	0.41%			
50	0.18%	2.0%			0.09%	0.52%	0.62%			20%
55	0.30%				0.15%	0.99%	1.09%	33%		42%
60	0.59%				0.19%	1.70%	1.84%	12%		83%
62	0.87%				0.20%	2.20%		22%		100%
65	1.15%				0.20%					25%
70	1.97%				0.17%					20%
75	3.42%				0.12%					20%
80	6.32%				0.10%					100%

