



**JOINT MEETING
OF THE VILLAGE OF RIVER FOREST
FINANCE & ADMINISTRATION COMMITTEE
POLICE PENSION BOARD
FIREFIGHTER'S PENSION BOARD**

Wednesday, January 25, 2018 – 5:00 PM
Village Hall – 400 Park Avenue – River Forest, IL 60305
Community Room

AGENDA

1. Call to Order
2. Roll Call (for each group)
The meeting will be chaired by the Chairperson of the Finance & Administration Committee
3. Public Comment (limited to 3 minutes per person)
4. Minutes from Joint Meeting - 11-02-17
5. Presentation by Lauterbach & Amen, LLP
 - Review of Pension Funding Policy alternatives for the Police and Firefighters Pension Funds
 - Discussion on Pension Funding Policy alternatives
6. Recommendation regarding the actuarial assumptions to be used in the Police and Firefighter Pension Fund Pension Funding Policies
7. Adjournment



MEMORANDUM

Date: January 18, 2018
 To: Eric Palm, Village Administrator
 From: Joan Rock, Finance Director
 Subject: Discussion and Analysis regarding the Village's Pension Funding Policies

Attached please find an analysis prepared by Lauterbach & Amen for discussion at the January 25th Joint Pension Funding Policy meeting. The estimated required contribution and funded percentage are displayed for each fund assuming various alternatives as follows:

	Actuarial Parameters for Normal Cost	Amortization of the Unfunded Liability	Rate of Return
Alternative #1	Entry Age Normal/ Level % of Pay	100%/Level Dollar	6.75%
Alternative #2	Entry Age Normal/ Level % of Pay	90%/Level Dollar	6.75%
Alternative #3	Entry Age Normal/ Level % of Pay	100%/Level Dollar	7.00%
Alternative #4	Entry Age Normal/ Level % of Pay	90%/Level Dollar	7.00%

Each alternative also shows the impact of an additional \$100,000 contribution in FY 2019 (2018 Levy Year). The current Pension Funding Policies for the funds are based on the following actuarial assumptions:

	Actuarial Parameters for Normal Cost	Amortization of the Unfunded Liability	Rate of Return	Actuarial Value of Assets
Police Pension Fund	Entry Age Normal/ Level % of Pay	90% over 30 years/ Level % increase of 3%	6.75%	5 year smoothing of gains and losses
Fire Pension Fund	Entry Age Normal/ Level % of Pay	95% over 30 years/ Level Dollar	7.00%	5 year smoothing of gains and losses

At the last meeting the committee discussed the assumptions and seemed to concur that they should be the same for both funds. The committee also requested information on how a one-time contribution would impact future contributions. The chart seems to show that a \$100,000 one-time additional contribution to each fund would result in about a \$10,000 annual decrease in the required contribution to each fund going forward. The method used to amortize the unfunded accrued liability has been changed to level dollar for both funds with the new alternatives.

Lauterbach & Amen will present the alternatives at the meeting. Following the presentation the Joint Committee will discuss the options and any proposed changes from the existing funding policies. If the committee agrees to recommend changes to the existing funding policies, the revised funding policies for police and fire will then have to be approved by their respective pension board and the Village Board.

River Forest Police and Fire Pension Funds

Preliminary Actuarial Projections

Projected Actuarial Requirements & Funded Percentage

April 30, 2017

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
Fire						
Status Quo	1,184,450	1,399,000	1,460,000	1,514,000	1,559,000	1,562,000
Alternative #1						
6.75% 100% Lev \$ + \$0 Additional	1,184,000	1,689,000	1,760,000	1,804,000	1,804,000	1,803,000
Funded Percentage	51%	50%	49%	50%	52%	54%
6.75% 100% Lev \$ + \$100K Additional	1,184,000	1,689,000	1,751,000	1,795,000	1,794,000	1,793,000
Funded Percentage	51%	50%	49%	50%	52%	54%
Alternative #2						
6.75% 90% Lev \$ + \$0 Additional	1,184,000	1,407,000	1,479,000	1,536,000	1,550,000	1,565,000
Funded Percentage	51%	50%	49%	49%	50%	51%
6.75% 90% Lev \$ + \$100K Additional	1,184,000	1,407,000	1,470,000	1,526,000	1,541,000	1,556,000
Funded Percentage	51%	50%	49%	49%	50%	51%
Alternative #3						
7.00% 100% Lev \$ + \$0 Additional	1,184,000	1,603,000	1,673,000	1,719,000	1,720,000	1,719,000
Funded Percentage	52%	51%	51%	51%	53%	55%
7.00% 100% Lev \$ + \$100K Additional	1,184,000	1,603,000	1,664,000	1,709,000	1,710,000	1,710,000
Funded Percentage	52%	51%	51%	52%	53%	55%
Alternative #4						
7.00% 90% Lev \$ + \$0 Additional	1,184,000	1,324,000	1,394,000	1,454,000	1,470,000	1,486,000
Funded Percentage	52%	51%	50%	50%	51%	52%
7.00% 90% Lev \$ + \$100k Additional	1,184,000	1,324,000	1,385,000	1,444,000	1,461,000	1,477,000
Funded Percentage	52%	51%	51%	50%	51%	52%

2017 Levy is final transition plan contribution

River Forest Police and Fire Pension Funds

Preliminary Actuarial Projections

Projected Actuarial Requirements & Funded Percenta

April 30, 2017

	<u>2017</u>	<u>2018</u>	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>	<u>Levy</u>
Police						
Status Quo	1,454,465	1,520,000	1,530,000	1,540,000	1,560,000	1,570,000
Alternative #1						
6.75% 100% Lev \$ + \$0 Additional	1,450,000	1,977,000	2,009,000	2,025,000	2,013,000	2,011,000
Funded Percentage	54%	55%	55%	57%	59%	60%
6.75% 100% Lev \$ + \$100K Additional	1,450,000	1,977,000	2,000,000	2,016,000	2,004,000	2,001,000
Funded Percentage	54%	55%	56%	57%	59%	61%
Alternative #2						
6.75% 90% Lev \$ + \$0 Additional	1,450,000	1,605,000	1,635,000	1,668,000	1,674,000	1,691,000
Funded Percentage	54%	55%	55%	55%	57%	57%
6.75% 90% Lev \$ + \$100K Additional	1,450,000	1,605,000	1,627,000	1,658,000	1,664,000	1,681,000
Funded Percentage	54%	55%	55%	56%	57%	58%
Alternative #3						
7.00% 100% Lev \$ + \$0 Additional	1,450,000	1,851,000	1,881,000	1,900,000	1,890,000	1,890,000
Funded Percentage	56%	57%	57%	58%	60%	62%
7.00% 100% Lev \$ + \$100K Additional	1,450,000	1,851,000	1,872,000	1,890,000	1,880,000	1,880,000
Funded Percentage	56%	57%	57%	59%	61%	62%
Alternative #4						
7.00% 90% Lev \$ + \$0 Additional	1,450,000	1,483,000	1,511,000	1,547,000	1,556,000	1,576,000
Funded Percentage	56%	57%	57%	57%	58%	59%
7.00% 90% Lev \$ + \$100k Additional	1,450,000	1,483,000	1,502,000	1,538,000	1,547,000	1,567,000
Funded Percentage	56%	57%	57%	57%	58%	59%

2017 Levy is final transition plan contribution

River Forest Police and Fire Pension Funds

Preliminary Actuarial Projections

Projected Actuarial Requirements & Funded Percenta

April 30, 2017

	<u>2017</u> <u>Levy</u>	<u>2018</u> <u>Levy</u>	<u>2019</u> <u>Levy</u>	<u>2020</u> <u>Levy</u>	<u>2021</u> <u>Levy</u>	<u>2022</u> <u>Levy</u>
Total						
Status Quo	2,638,915	2,919,000	2,990,000	3,054,000	3,119,000	3,132,000
Alternative #1						
6.75% 100% Lev \$ + \$0 Additional Funded Percentage	2,634,000	3,666,000	3,769,000	3,829,000	3,817,000	3,814,000
6.75% 100% Lev \$ + \$100K Additional Funded Percentage	2,634,000	3,666,000	3,751,000	3,811,000	3,798,000	3,794,000
Alternative #2						
6.75% 90% Lev \$ + \$0 Additional Funded Percentage	2,634,000	3,012,000	3,114,000	3,204,000	3,224,000	3,256,000
6.75% 90% Lev \$ + \$100K Additional Funded Percentage	2,634,000	3,012,000	3,097,000	3,184,000	3,205,000	3,237,000
Alternative #3						
7.00% 100% Lev \$ + \$0 Additional Funded Percentage	2,634,000	3,454,000	3,554,000	3,619,000	3,610,000	3,609,000
7.00% 100% Lev \$ + \$100K Additional Funded Percentage	2,634,000	3,454,000	3,536,000	3,599,000	3,590,000	3,590,000
Alternative #4						
7.00% 90% Lev \$ + \$0 Additional Funded Percentage	2,634,000	2,807,000	2,905,000	3,001,000	3,026,000	3,062,000
7.00% 90% Lev \$ + \$100k Additional Funded Percentage	2,634,000	2,807,000	2,887,000	2,982,000	3,008,000	3,044,000

2017 Levy is final transition plan contribution