

Village of North Riverside, IL
Administrative Committee Agenda

March 20, 2023

6:00 pm – NR Board Room

Meeting and Public Comment Procedures:

The Administrative Committee will meet in person. Public comments shall be limited to no more than a total of 30 minutes. Persons seeking to address the Committee shall be limited to 3 minutes. Public comments are welcome on any topic related to the business of the Administrative Committee during the portion of the meeting designated for public comments. Individuals who wish to comment must first be recognized by the Committee Chair and then identify themselves prior to speaking.

Committee of the Whole Structure:

Trustee Sarro, Chairwoman

- I. Call to Order**
- II. Roll Call**
- III. Approval of Minutes**
- IV. Public Comments**
- V. New Business**
 - Audit Presentation – FY22
 - Police & Fire Actuary Presentations – FY22
- VI. Adjournment**

Posted: March 17, 2023



Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

North Riverside Firefighters' & Police Pension Fund Reporting

For the Contribution Year Ending April 30, 2023 for Funding Purposes
For the Fiscal Year Ending April 30, 2022 for Financial Statement Reporting

Presented by:
Anthony Gedvilas, Actuarial Consultant

Actuarial

Audit

**Financial
Services**

Payroll

Pension

Tax

Recommended Contribution & Funded Status

Page 8 in Report

| | Fire | Police | Total |
|--|--------------|--------------|--------------|
| Current Valuation Recommended Contribution | \$1,621,366 | \$2,501,506 | \$4,122,872 |
| Prior Valuation Recommended Contribution | \$1,678,908 | \$2,540,981 | \$4,219,889 |
| Current Valuation EAN Unfunded Liability | \$18,630,000 | \$27,820,000 | \$46,450,000 |
| Prior Valuation EAN Unfunded Liability | \$20,130,000 | \$29,320,000 | \$49,450,000 |
| Current Valuation Percent Funded (AVA) | 40.01% | 42.95% | 41.81% |
| Prior Valuation Percent Funded (AVA) | 36.60% | 39.97% | 38.64% |

The Total Recommended Contribution has Decreased by \$97,017 (2.30%) from the Prior Valuation.

*Please note that for the Police Pension Fund, there is a transition plan between the Pension Board and the Village. The Transition Contribution for the current valuation is \$2,352,000.

Recommended Contribution Reconciliation

Page 16 in Report

| | Fire | Police | Total |
|---|-------------|-------------|-------------|
| Expected Changes | \$54,600 | \$76,200 | \$131,000 |
| Salary Increases Greater/(Less) than Expected | \$1,800 | \$40,300 | \$42,100 |
| Actuarial Experience | \$8,500 | \$12,300 | \$20,800 |
| Programming Update | (\$123,000) | (\$170,000) | (\$293,000) |
| Assumption Changes | \$0 | \$2,900 | \$2,900 |
| Asset Return (Greater)/Less than Expected | \$3,300 | (\$5,700) | (\$2,400) |
| Contributions (Greater)/Less than Expected | (\$2,900) | \$4,400 | \$1,500 |
| Net Increase/(Decrease) in Recommended Contribution | (\$57,500) | (\$39,500) | (\$97,000) |

Current Funding Policy is level % pay contributions to a 100% funding target over the remaining 18 years.

Recommended Contribution Breakdown

Page 25 in Report

| | Fire | Police | Total |
|---|-------------|-------------|-------------|
| Employer Normal Cost (with interest) | \$176,592 | \$303,525 | \$480,117 |
| Amortization of Unfunded Accrued Liability/(Surplus) | \$1,444,774 | \$2,197,981 | \$3,642,755 |
| Recommended Contribution | \$1,621,366 | \$2,501,506 | \$4,122,872 |

*The Total
Recommended
Contribution has
Decreased by
2.30% from the
Prior Valuation.*

Demographic Changes - Fire

Page 13 in Report

- There were 24 inactive Members who continued to collect benefits. This increased the Recommended Contribution by approximately \$15,700.
- Other demographic changes experienced during the year were minimal.

Demographic Changes - Police

Page 13 in Report

- There were 2 Members who were hired during the year. This increased the Recommended Contribution by approximately \$17,500.
- There was 1 Member who retired during the year. This decreased the Recommended Contribution by approximately \$20,400.
- There were 34 inactive Members continued to collect benefits. This increased the Recommended Contribution by approximately \$18,000.
- Other demographic changes experienced during the year were minimal.

Age and Service Distribution - Fire

Page 34 in Report

| 5/1/2022 Age and Service Distribution - All Active Members | | | | | | | | | | | | |
|--|---------|---------|--------|--------|----------|----------|----------|----------|----------|----------|---------|-------|
| | Service | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total |
| Age | | | | | | | | | | | | |
| Under 25 | | | | | | | | | | | | |
| 25 to 29 | | | 2 | | | | | | | | | 2 |
| 30 to 34 | | | 1 | | | | | | | | | 1 |
| 35 to 39 | | | 1 | | | | | | | | | 1 |
| 40 to 44 | | | | | 1 | 1 | | | | | | 2 |
| 45 to 49 | | | | | | | 2 | | | | | 2 |
| 50 to 54 | | | | | | | 2 | | | | | 2 |
| 55 to 59 | | | | | | | | | 1 | | | 1 |
| 60 to 64 | | | | | | | | | | | | |
| 65 to 69 | | | | | | | | | | | | |
| 70 & up | | | | | | | | | | | | |
| Total | | | 4 | | 1 | 1 | 4 | | 1 | | | 11 |

Age and Service Distribution - Police

Page 34 in Report

| 5/1/2022 Age and Service Distribution - All Active Members | | | | | | | | | | | | |
|--|---------|---------|--------|--------|----------|----------|----------|----------|----------|----------|---------|-------|
| | Service | Under 1 | 1 to 4 | 5 to 9 | 10 to 14 | 15 to 19 | 20 to 24 | 25 to 29 | 30 to 34 | 35 to 39 | 40 & up | Total |
| Age | | | | | | | | | | | | |
| Under 25 | | | | | | | | | | | | |
| 25 to 29 | | 1 | 3 | 1 | | | | | | | | 5 |
| 30 to 34 | | 1 | | 4 | | | | | | | | 5 |
| 35 to 39 | | | 1 | 2 | 4 | 1 | | | | | | 8 |
| 40 to 44 | | | | | 1 | 2 | | | | | | 3 |
| 45 to 49 | | | | | | | | | | | | |
| 50 to 54 | | | | | | | 1 | 1 | | | | 2 |
| 55 to 59 | | | | | | | | 1 | | | | 1 |
| 60 to 64 | | | | | | | | | | | | |
| 65 to 69 | | | | | | | | | | | | |
| 70 & up | | | | | | | | | | | | |
| Total | | 2 | 4 | 7 | 5 | 3 | 1 | 2 | | | | 24 |

Expected Benefit Payments

Page 9 & 33 in Report

| | Fire | Police | Total |
|--|-------------|-------------|-------------|
| Total Active Members | 11 | 24 | 35 |
| Total Inactive Members | 28 | 38 | 66 |
| Current Benefit Payments | \$1,708,000 | \$2,618,000 | \$4,326,000 |
| Expected Benefit Payments in 5 Years | \$2,097,000 | \$3,118,000 | \$5,216,000 |
| Expected Benefit Payments in 10 Years | \$2,438,000 | \$3,523,000 | \$5,961,000 |

Benefit payments are anticipated to increase 21% in the next 5 years and 38% in the next 10 years.

Programming Update – Fire

Page 14 in Report

- For spouses of existing Members, we updated the methodology to estimate the initial benefit payable to the Surviving Spouse upon the death of the Member. The current methodology separates the record for the Surviving Spouse benefit from the individual member record. The impact of the change on future benefit estimates was a 4.2% reduction in projected future benefits.
- A decrease in projected future benefits for any reason will have varying impacts on the contribution based on the Percent Funded, the Funding Policy for contributions, and the demographics of the Fund. The results for the current report include a decrease in liability which has a leveraged impact on the contribution. The decrease in the Unfunded Actuarial Accrued Liability is \$1,469,000. The decrease in the Recommended Contribution is \$123,000.

Programming Update – Police

Page 14 in Report

- For spouses of existing Members, we updated the methodology to estimate the initial benefit payable to the Surviving Spouse upon the death of the Member. The current methodology separates the record for the Surviving Spouse benefit from the individual member record. The impact of the change on future benefit estimates was a 3.6% reduction in projected future benefits.
- A decrease in projected future benefits for any reason will have varying impacts on the contribution based on the Percent Funded, the Funding Policy for contributions, and the demographics of the Fund. The results for the current report include a decrease in liability which has a leveraged impact on the contribution. The decrease in the Unfunded Actuarial Accrued Liability is \$1,990,000. The decrease in the Recommended Contribution is \$170,000.

Assumption Changes – Police

Page 14 in Report

- The year over year step increases dictated by the new wage schedule did change from the prior wage schedule; therefore, we have updated the individual pay increases assumption.

Change in Fair Value of Assets

Page 18 in Report

| | Fire | Police | Total |
|--------------------------------|---------------|---------------|---------------|
| Beginning Fair Value of Assets | \$12,610,000 | \$21,310,000 | \$33,910,000 |
| Employer Contributions | \$1,711,000 | \$2,484,000 | \$4,195,000 |
| Member Contributions | \$107,000 | \$243,000 | \$350,000 |
| Return on Investments | (\$757,000) | (\$1,041,000) | (\$1,797,000) |
| Benefits and Refunds | (\$1,708,000) | (\$2,618,000) | (\$4,326,000) |
| Other Expenses | (\$20,100) | (\$21,400) | (\$41,500) |
| Prior Period Audit Adjustment | (\$8,400) | \$0 | (\$8,400) |
| Change in Fair Value | (\$675,000) | (\$953,000) | (\$1,628,000) |
| Ending Fair Value of Assets | \$11,930,000 | \$20,350,000 | \$32,290,000 |

The Rate of Return on Investments on a Fair Value of Assets Basis for the Fund was Approximately (6.14%) for Fire and (4.97%) for Police Net of Administrative Expense.

Risk Management

Page 9-11 & 22 in Report

Fire

- The Fair Value of Assets (\$11.9M) is less than the Actuarial Accrued Liability for inactive Members (\$24.9M).
- The ratio of benefit payments to the Fair Value of Assets is 14.31%, compared to an Expected Rate of Return on Investments of 6.75%.
- Based on the number of active Members in the Plan, there is a moderate demographic risk.

Police

- The Fair Value of Assets (\$20.4M) is less than the Actuarial Accrued Liability for inactive Members (\$39.9M).
- The ratio of benefit payments to the Fair Value of Assets is 12.86%, compared to an Expected Rate of Return on Investments of 6.75%.
- Based on the number of active Members in the Plan, there is a moderate demographic risk.

| | 0.25% Decrease (6.50%) | Current Expected Rate of Return on Investments (6.75%) | 0.25% Increase (7.00%) |
|---|------------------------------|--|------------------------------|
| Total Fire & Police Recommended Contribution | \$4,295,555 | \$4,122,872 | \$3,956,641 |
| Dollar Impact | \$172,683 | | (\$166,231) |
| Percentage Impact | 4.19% | | 4.03% |

Alternative Contribution

Page 29 in Report

| | Fire | Police | Total |
|--|--------------|--------------|--------------|
| Alternative Contribution | \$1,366,381 | \$2,081,241 | \$3,448,000 |
| PUC Unfunded Actuarial Liability | \$19,220,000 | \$28,340,000 | \$47,560,000 |
| Alternative Contribution Funded Percentage (AVA) | 39.26% | 42.50% | 41.23% |

Five-Year Employer Contribution History - Fire

Page 32 in GASB 67/68 Report

| Fiscal Year End | Employer Contribution | Actuarially Determined Contribution (ADC) | % of ADC |
|-----------------|-----------------------|---|----------------|
| 4/30/2022 | \$1,711,490 | \$1,503,000 | 113.87% |
| 4/30/2021 | \$1,775,000 | \$1,388,000 | 127.88% |
| 4/30/2020 | \$1,260,101 | \$1,260,061 | 100.00% |
| 4/30/2019 | \$1,250,000 | \$1,200,581 | 104.12% |
| 4/30/2018 | \$1,068,788 | \$1,068,788 | 100.00% |
| | | 5 - Year Average | 109.17% |

The Actuarially Determined Contribution for the current year is the Recommended Contribution from the May 1, 2020 Actuarial Valuation completed by Lauterbach & Amen, LLP.

There is a Formal Funding Policy that exists between the Pension Board and the Village. See page 31 in the GASB 67/68 Actuarial Report for a detailed explanation of the Formal Funding Policy.

Five-Year Employer Contribution History - Police

Page 32 in GASB 67/68 Report

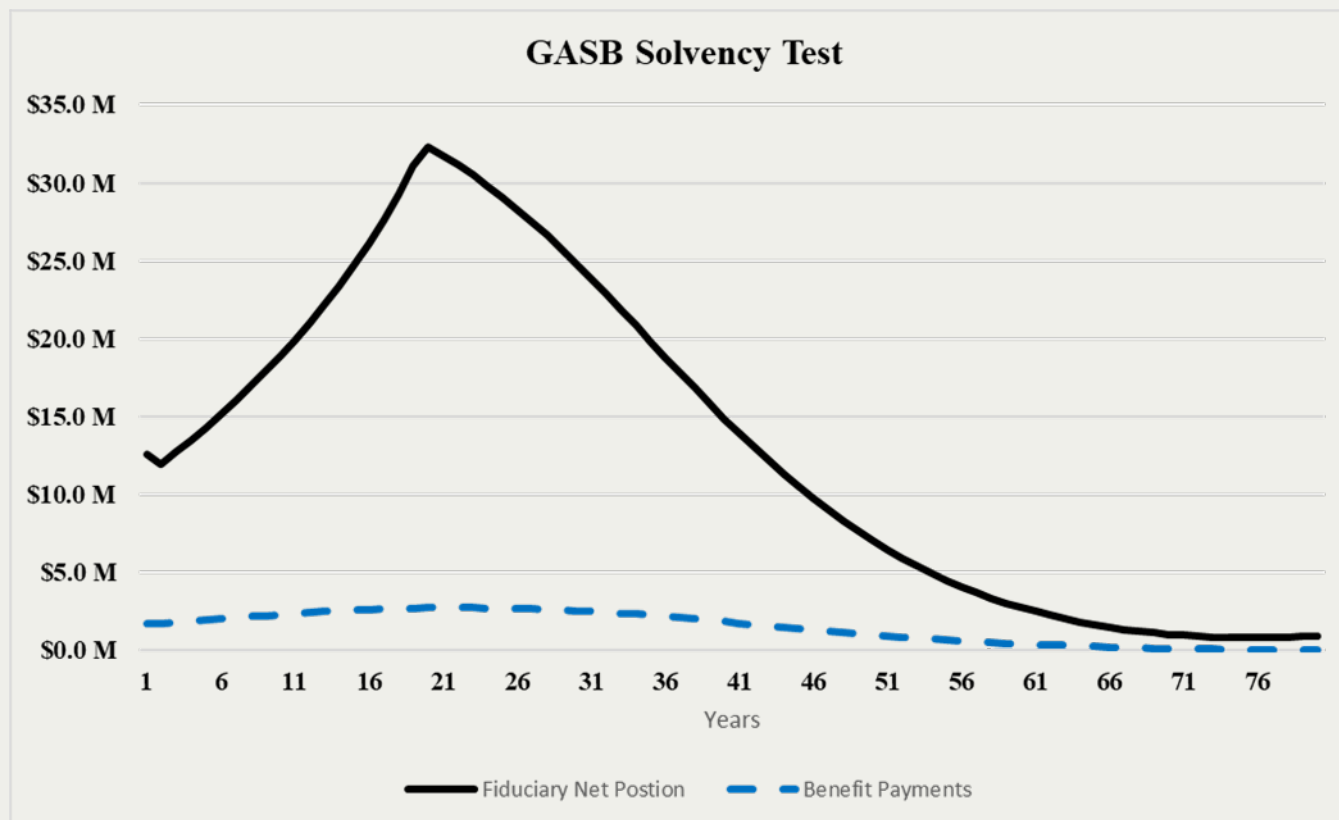
| Fiscal Year End | Employer Contribution | Actuarially Determined Contribution (ADC) | % of ADC |
|-----------------|-----------------------|---|----------------|
| 4/30/2022 | \$2,483,829 | \$2,065,000 | 120.28% |
| 4/30/2021 | \$2,426,838 | \$1,902,000 | 127.59% |
| 4/30/2020 | \$1,777,501 | \$1,777,288 | 100.01% |
| 4/30/2019 | \$1,700,000 | \$1,624,735 | 104.63% |
| 4/30/2018 | \$1,518,549 | \$1,518,549 | 100.00% |
| | | 5 - Year Average | 110.50% |

The Actuarially Determined Contribution for the current year is the Recommended Contribution from the May 1, 2020 Actuarial Valuation completed by Lauterbach & Amen, LLP.

There is a Formal Funding Policy that exists between the Pension Board and the Village. See page 31 in the GASB 67/68 Actuarial Report for a detailed explanation of the Formal Funding Policy.

GASB Solvency Test - Fire

Page 41 in GASB 67/68 Report

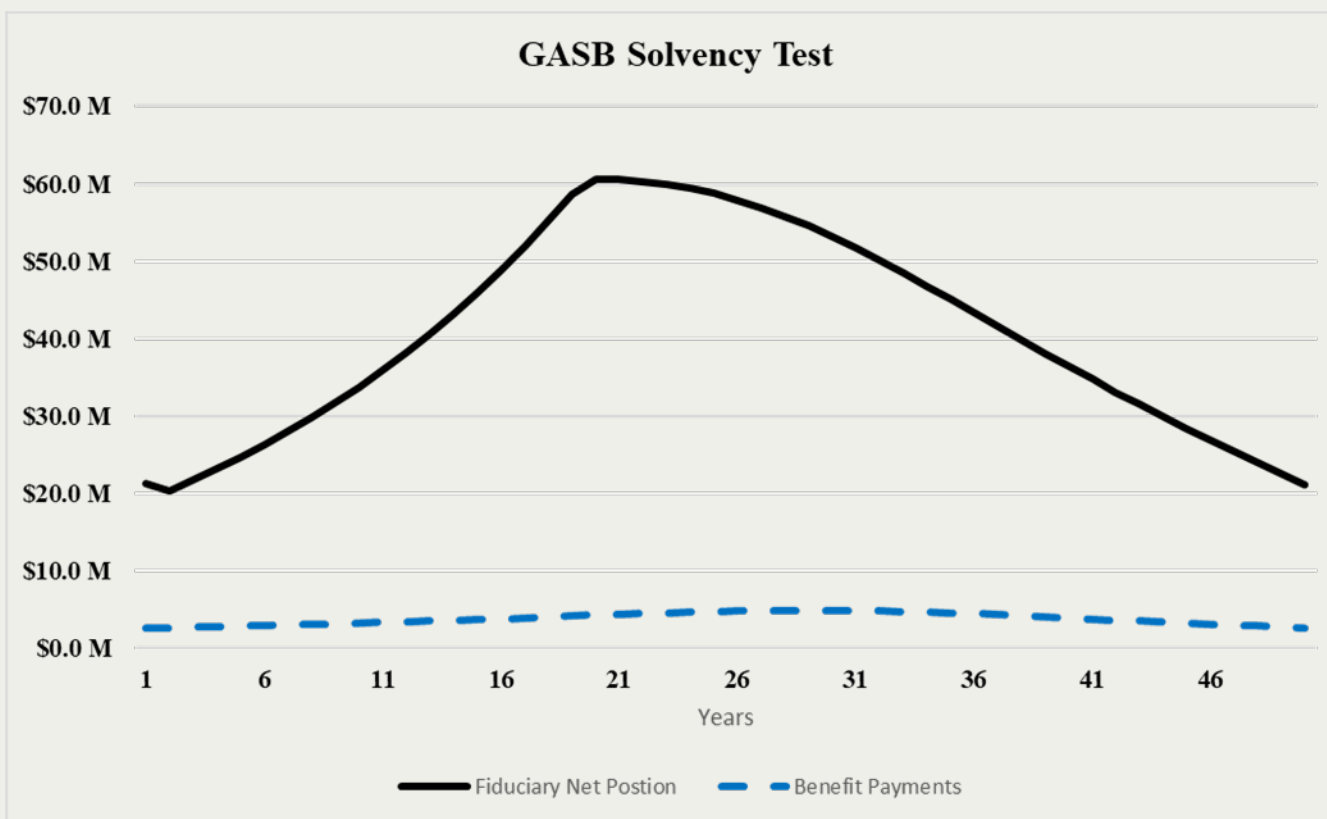


*The Plan's Projected
Fiduciary Net
Position is
Anticipated to Cover
Projected Benefit
Payments in Full for
the Current
Employees.*



GASB Solvency Test - Police

Page 41 in GASB 67/68 Report



*The Plan's Projected
Fiduciary Net
Position is
Anticipated to Cover
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Payments in Full for
the Current
Employees.*



Actuarial Certification

- The valuation results summarized in this presentation are from the May 1, 2022 Firefighters' and Police Actuarial Funding Reports & May 1, 2021 Firefighters' and Police GASB 67/68 Reports, which have been reviewed by Actuarial Consultants that meet the Qualification Standards of the American Academy of Actuaries.
 - This report is not intended for purposes other than determining the Recommended Contributions, under the selected Funding Policies, and the Alternative Contributions.
 - This report contains the full description of the data, assumptions, methods, and provisions used to produce these actuarial results.
 - For any rounded figures shown in this presentation, please refer to the Actuarial Funding Report for more exact figures.