

CITY OF EVANSTON
POLICE PENSION FUND

ACTUARIAL VALUATION
AS OF JANUARY 1, 2015

CONTRIBUTIONS APPLICABLE TO THE
PLAN/FISCAL YEAR ENDED DECEMBER 31, 2015

October 6, 2015

Board of Trustees
City of Evanston
Police Pension Fund
2100 Ridge Avenue
Evanston, IL 60201

Re: City of Evanston Police Pension Fund

Dear Board:

We are pleased to present to the Board this report of the annual actuarial valuation of the City of Evanston Police Pension Fund. The valuation was performed to determine whether the assets and contributions are sufficient to provide the prescribed benefits and to develop the appropriate funding requirements for the applicable plan year.

The valuation has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Article 3, Illinois Pension Code, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience.

In conducting the valuation, we have relied on personnel, plan design, and asset information supplied by the Board of Trustees, financial reports prepared by the custodian bank and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

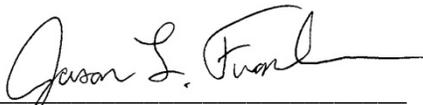
The undersigned is familiar with the immediate and long-term aspects of pension valuations and meets the Qualification Standards of the American Academy of Actuaries necessary to render the actuarial opinions contained herein. All of the sections of this report are considered an integral part of the actuarial opinions.

To our knowledge, no associate of Foster & Foster, Inc. working on valuations of the program has any direct financial interest or indirect material interest in the City of Evanston, nor does anyone at Foster & Foster, Inc. act as a member of the Board of Trustees of the City of Evanston Police Pension Fund. Thus, there is no relationship existing that might affect our capacity to prepare and certify this actuarial report.

If there are any questions, concerns, or comments about any of the items contained in this report, please contact me at 630-620-0200.

Respectfully submitted,

Foster & Foster, Inc.

By: 

Jason L. Franken
Enrolled Actuary #14-6888

JLF/lke
Enclosures

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SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Evanston Police Pension Fund, performed as of January 1, 2015, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended December 31, 2015.

The contribution requirements, compared with those set forth in the January 1, 2014 actuarial report as issued by the Illinois Department of Insurance, are as follows:

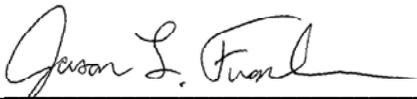
Valuation Date	1/1/2015	1/1/2014
Applicable Plan/Fiscal Year End	<u>12/31/2015</u>	<u>12/31/2014</u>
Total Required Contribution	\$10,837,183	\$10,091,357
% of Total Annual Payroll	73.7%	72.1%
Member Contributions (Est.)	1,456,243	1,386,150
% of Total Annual Payroll	9.91%	9.91%
City Required Contribution	9,380,940	8,705,207
% of Total Annual Payroll	63.8%	62.2%

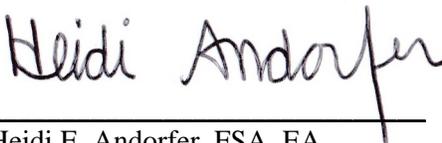
As you can see, the Total Required Contribution shows an increase when compared to the results determined in the January 1, 2014 actuarial valuation report as prepared by TCG Public Consulting, Ltd. This increase is primarily due to the assumption changes. The increase was offset in part by an investment return of 8.59% (Actuarial Asset basis) which exceeded the 6.50% assumption, and a reduction in the normal cost (cost of future benefits for currently active members, attributed to the current year).

The balance of this Report presents additional details of the actuarial valuation and the general operation of the Fund. The undersigned would be pleased to meet with the Board of Trustees in order to discuss the Report and answer any pending questions concerning its contents.

Respectfully submitted,

FOSTER & FOSTER, INC.

By: 
Jason L. Franken, FSA, EA, MAAA

By: 
Heidi E. Andorfer, FSA, EA

Plan Changes Since Prior Valuation

No plan changes have occurred since the prior valuation.

Actuarial Assumption/Method Changes Since Prior Valuation

Since the prior valuation the following assumptions have been updated:

1. Mortality Rates were updated from the table used by TCG Public Consulting, Ltd., which was RP-2000 Combined Healthy Mortality (male) with a blue collar adjustment and a 200% load for participants under age 50 and 125% for participants age 50 and over. The new tables used in this valuation are the RP-2000 Combined Healthy Mortality with a blue collar adjustment for all healthy lives and the RP2000 Disabled Retiree Mortality table for disabled lives.
2. Retirement Rates, Termination Rates and Disability Rates were updated to align with the formal study commissioned by the Illinois Department of Insurance. This study used actual experience from all Police Plans in Illinois to derive experience-based assumptions.
3. The assumption for in-service disability incidence was increased from 15% to 70%.
4. The percent married assumption was changed from 85% to 80%.

Since the prior valuation the following methods have been updated:

1. Administrative expenses were included in the development of this year's recommended contribution, while they were not considered for the recommended contribution as shown in last year's valuation as prepared by TCG Public Consulting, Ltd.

COMPARATIVE SUMMARY OF PRINCIPAL VALUATION RESULTS

	New Assum/Mthd <u>1/1/2015</u>	Old Assum/Mthd <u>1/1/2015</u>	<u>1/1/2014</u> ¹
A. Participant Data			
Number Included			
Actives	163	163	165
Service Retirees	129	129	128
Beneficiaries	28	28	28
Terminated Vested	13	13	14
Disability Retirees	16	16	15
Total	<u>349</u>	<u>349</u>	<u>350</u>
Total Annual Payroll	\$14,694,679	\$14,694,679	\$13,987,391
Payroll Under Assumed Ret. Age	14,694,679	14,694,679	13,987,391
Annual Rate of Payments to:			
Service Retirees	8,259,227	8,259,227	7,869,924
Beneficiaries	967,439	967,439	887,820
Terminated Vested ²	120,142	120,142	0
Disability Retirees	644,450	644,450	585,996
B. Assets			
Actuarial Value	94,876,292	94,876,292	87,135,559
Market Value	99,687,542	99,687,542	90,763,143
C. Liabilities			
Present Value of Benefits			
Active Members			
Retirement Benefits	78,904,808	79,008,801	82,805,428
Disability Benefits	8,435,326	11,408,141	11,482,893
Death Benefits	2,112,435	3,570,184	2,889,920
Vested Benefits	8,478,994	2,801,979	2,989,547
Service Retirees	117,093,574	106,412,692	101,782,251
Beneficiaries	8,155,760	6,805,378	6,388,973
Terminated Vested	1,164,305	1,090,967	1,298,097
Disability Retirees	10,157,627	9,787,407	9,177,005
Total	<u>234,502,829</u>	<u>220,885,549</u>	<u>218,814,114</u>

¹ Values reported for 1/1/2014 are consistent with the report issued by TCG Public Consulting, Ltd.

² The report issued by TCG Public Consulting, Ltd. did not include information about deferred monthly benefits for terminated vested participants.

	New Assum/Mthd <u>1/1/2015</u>	Old Assum/Mthd <u>1/1/2015</u>	<u>1/1/2014</u> ¹
C. Liabilities - (Continued)			
Present Value of Future Salaries	147,626,875	154,962,839	N/A
Present Value of Future Member Cont.	14,629,823	15,356,817	N/A
Normal Cost			
Retirement Benefits	2,507,558	2,614,672	2,811,058
Disability Benefits	562,656	747,720	708,052
Death Benefits	96,388	174,422	154,763
Vested Benefits	471,344	189,130	240,298
Total Normal Cost	<u>3,637,946</u>	<u>3,725,944</u>	<u>3,914,171</u>
Present Value of Future Normal Costs	34,223,136	36,481,406	39,245,031
Actuarial Accrued Liability			
Retirement Benefits	54,903,312	52,899,220	N/A
Disability Benefits	3,072,041	4,084,696	N/A
Death Benefits	1,264,771	1,972,427	N/A
Vested Benefits	4,468,303	1,351,356	N/A
Inactives	136,571,266	124,096,444	N/A
Total Actuarial Accrued Liability	<u>200,279,693</u>	<u>184,404,143</u>	<u>179,569,083</u>
Unfunded Actuarial Accrued Liab (UAAL)	105,403,401	89,527,851	92,433,524
Funded Ratio	47.4%	51.5%	48.5%
D. Actuarial Present Value of Accrued Benefits			
Vested Accrued Benefits			
Inactives	136,571,266	124,096,444	N/A
Actives	20,121,901	19,188,055	N/A
Member Contributions	12,919,168	12,919,168	N/A
Total	<u>169,612,335</u>	<u>156,203,667</u>	<u>N/A</u>
Non-vested Accrued Benefits	<u>3,180,268</u>	<u>3,206,086</u>	<u>N/A</u>
Total Present Value Accrued Benefits	172,792,603	159,409,753	N/A
Increase (Decrease) in Present Value of Accrued Benefits Attributable to:			
Plan Amendments	0	N/A	
Assumption Changes	13,382,850	N/A	
New Accrued Benefits	0	N/A	
Benefits Paid	0	N/A	
Interest	0	N/A	
Other	0	N/A	
Total:	<u>13,382,850</u>	<u>N/A</u>	

¹ Values reported for 1/1/2014 are consistent with the report issued by TCG Public Consulting, Ltd.

Valuation Date Applicable to Fiscal Year Ending	New Assum/Mthd 1/1/2015 <u>12/31/2015</u>	Old Assum/Mthd 1/1/2015 <u>12/31/2015</u>	1/1/2014 <u>12/31/2014</u> ²
E. Pension Cost			
Normal Cost (with interest)	\$3,874,412	\$3,968,130	\$4,168,592
% of Total Annual Payroll ¹	26.3	27.0	29.8
Administrative Expense (with interest)	73,418	0	0
% of Total Annual Payroll ¹	0.5	0.0	0.0
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 26 years (as of 1/1/2015)	6,889,353	5,736,386	5,922,765
% of Total Annual Payroll ¹	46.9	39.0	42.3
Total Required Contribution	10,837,183	9,704,516	10,091,357
% of Total Annual Payroll ¹	73.7	66.0	72.1
Expected Member Contributions	1,456,243	1,456,243	1,386,150
% of Total Annual Payroll ¹	9.9	9.9	9.9
Expected City Contribution	9,380,940	8,248,273	8,705,207
% of Total Annual Payroll ¹	63.8	56.1	62.2
F. Past Contributions			
Plan Year Ending:	<u>12/31/2014</u>		
Total Required Contribution	9,822,528		
City Requirement	8,257,475		
Actual Contributions Made:			
Members	1,565,053		
City	8,644,196		
Total	<u>10,209,249</u>		
G. Net Actuarial Gain (Loss)	2,681,062		

¹ Contributions developed as of 1/1/2015 are expressed as a percentage of projected annual payroll at 1/1/2015 of \$14,694,679.

² The results reported for 1/1/2014 are consistent with the TCG Public Consulting, Ltd. actuarial valuation.

H. Schedule Illustrating the Amortization of the Amortizable Unfunded Actuarial Accrued Liability as of:

<u>Year</u>	<u>Projected Amortizable Unfunded Accrued Liability</u>
2015	\$85,375,432
2016	84,035,482
2017	82,608,435
2022	73,955,213
2027	62,099,549
2037	23,601,550
2041	0

I. (i) 3 Year Comparison of Actual and Assumed Increases in Pensionable Compensation

		<u>Actual</u>	<u>Assumed ¹</u>
Year Ended	12/31/2014	5.81%	4.50%
Year Ended	12/31/2013	N/A	N/A
Year Ended	12/31/2012	N/A	N/A

¹ Assumed salary increases are according to a age-related table, with rates grading from 7.69% to 3.62% at age 55. The rate shown here is the expected increase for the active population in aggregate, given the age distribution of the active employees who were in both the prior and current valuation.

(ii) 3 Year Comparison of Investment Return on Actuarial Value

		<u>Actual</u>	<u>Assumed</u>
Year Ended	12/31/2014	8.59%	6.50%
Year Ended	12/31/2013	N/A	N/A
Year Ended	12/31/2012	N/A	N/A

STATEMENT BY ENROLLED ACTUARY

This actuarial valuation was prepared and completed by me or under my direct supervision, and I acknowledge responsibility for the results. To the best of my knowledge, the results are complete and accurate, and in my opinion, the techniques and assumptions used are reasonable and meet the requirements and intent of the Illinois Pension Code and adhere to the Actuarial Standards of Practice. There is no benefit or expense to be provided by the plan and/or paid from the plan's assets for which liabilities or current costs have not been established or otherwise taken into account in the valuation. All known events or trends which may require a material increase in plan costs or required contribution rates have been taken into account in the valuation.



Jason L. Franken, FSA, EA, MAAA
Enrolled Actuary #14-6888

DEVELOPMENT OF JANUARY 1, 2015 AMORTIZATION PAYMENT

(1) Unfunded Actuarial Accrued Liability as of January 1, 2014		\$92,433,524 ¹
(2) City's Normal Cost Applicable for the year		2,528,021
(3) Interest on (1) and (2)		6,172,500
(4) Sponsor Contributions to the System during the year ending December 31, 2014		8,644,196
(5) Interest on (4)		<u>280,936</u>
(6) Expected UAAL as of January 1, 2015 (1)+(2)+(3)-(4)-(5)		\$92,208,913
(7) Change in UAAL Due to Actuarial (Gain)/Loss and Assumption Changes		
(a) (Gain)/Loss	(2,681,062)	
(b) Assumption Changes	15,875,550	
(c) Total		<u>13,194,488</u>
(8) Unfunded Actuarial Accrued Liability as of January 1, 2015		\$105,403,401

	<u>Date Established</u>	<u>Years Remaining</u>	<u>1/1/2015 Amount</u>	<u>Amortization Amount</u>
	1/1/2015	26	<u>85,375,432</u>	<u>6,468,876</u>
Total			85,375,432	6,468,876

¹ Note, this is based on the TCG Public Consulting, Ltd. actuarial valuation report.

PROJECTION OF BENEFIT PAYMENTS

Year	Payments for Current Actives	Payments for Current Inactives	Total Payments
2015	455,219	9,916,871	10,372,090
2016	817,766	10,114,402	10,932,168
2017	1,121,096	10,345,619	11,466,715
2018	1,495,263	10,538,140	12,033,403
2019	1,888,794	10,741,063	12,629,857
2020	2,246,185	10,867,794	13,113,979
2021	2,643,911	10,980,978	13,624,889
2022	3,025,015	11,062,671	14,087,686
2023	3,461,729	11,125,421	14,587,150
2024	3,863,356	11,111,481	14,974,837
2025	4,279,041	11,059,318	15,338,359
2026	4,827,628	10,985,306	15,812,934
2027	5,335,449	10,873,651	16,209,100
2028	5,924,508	10,704,738	16,629,246
2029	6,511,100	10,507,921	17,019,021
2030	7,191,256	10,259,212	17,450,468
2031	7,937,426	9,970,707	17,908,133
2032	8,665,221	9,643,536	18,308,757
2033	9,406,878	9,297,754	18,704,632
2034	10,172,866	8,900,045	19,072,911
2035	10,911,874	8,470,696	19,382,570
2036	11,665,720	8,038,883	19,704,603
2037	12,303,064	7,559,333	19,862,397
2038	12,925,955	7,062,019	19,987,974
2039	13,480,459	6,552,874	20,033,333
2040	14,034,582	6,038,070	20,072,652
2041	14,572,043	5,524,080	20,096,123
2042	15,058,444	5,017,150	20,075,594
2043	15,459,826	4,523,378	19,983,204
2044	15,867,076	4,048,414	19,915,490
2045	16,161,947	3,596,940	19,758,887
2046	16,400,452	3,172,829	19,573,281
2047	16,523,142	2,778,870	19,302,012
2048	16,570,319	2,416,675	18,986,994
2049	16,556,867	2,087,141	18,644,008
2050	16,485,616	1,790,095	18,275,711
2051	16,358,936	1,524,886	17,883,822
2052	16,178,513	1,290,527	17,469,040
2053	15,946,446	1,085,120	17,031,566
2054	15,663,979	906,428	16,570,407

ACTUARIAL ASSUMPTIONS AND METHODS

Mortality Rate	RP-2000 Combined Healthy Mortality with no projection and a blue collar adjustment.
Disabled Mortality Rate	RP-2000 Disabled Retiree Mortality with no projection.
Interest Rate	6.50% per year compounded annually, net of investment related expenses.
Retirement Age	See table below.
Disability Rate	See table below. 70% of the disabilities are assumed to be in the line of duty.
Termination Rate	See table below.
Salary Increases	Graded schedule based on age.

Age	Increase
25	7.36%
30	5.48%
35	4.53%
40	4.02%
45	3.81%
50	3.68%
55+	3.62%

Payroll Growth	None.
Cost-of-Living Adjustment	<p><u>Tier 1</u>: 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.</p> <p><u>Tier 2</u>: 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.</p>
Administrative Expenses	Expenses paid out of the fund other than investment-related expenses are assumed to be equal to those paid in the previous year.
Marital Status	80% of Members are assumed to be married.
Spouse's Age	Males are assumed to be three years older than females.

ACTUARIAL ASSUMPTIONS AND METHODS

% Terminating During the Year		% Becoming Disabled During the Year		% Retiring During the Year *	
Age	Rate	Age	Rate	Age	Rate
15 - 24	10.00%	20	0.05%	<=49	0%
25	7.50%	25	0.05%	50 - 54	20%
26 - 27	6.25%	30	0.22%	55 - 59	25%
28 - 31	5.00%	35	0.26%	60 - 62	33%
32 - 34	4.00%	40	0.40%	63 - 69	50%
35 - 37	3.00%	45	0.65%	>=70	100%
38 - 49	2.00%	50	0.95%		
>=50	3.50%	55	1.30%		
		60	1.65%		
		65	2.00%		

* 100% at 30 years of service.

Funding Method

Entry Age Normal Actuarial Cost Method.

Actuarial Asset Method

Investment gains and losses are smoothed over a 5-year period.

Amortization Method

Funding to a 90% funded ratio using the Level Dollar method over a period ending in 2040.

VALUATION NOTES

Total Annual Payroll is the projected annual rate of pay for the fiscal year following the valuation date of all covered members.

Present Value of Benefits is the single sum value on the valuation date of all future benefits to be paid to current Members, Retirees, Beneficiaries, Disability Retirees and Vested Terminations.

Normal (Current Year's) Cost is the current year's cost for benefits yet to be funded.

Unfunded Accrued Liability is a liability which arises when a pension plan is initially established or improved and such establishment or improvement is applicable to all years of past service.

Total Required Contribution is equal to the Normal Cost plus an amortization payment on the Unfunded Accrued Liability. The required amount is adjusted for interest according to the timing of contributions during the year.

Entry Age Normal Cost Method - Under this method, the normal cost is the sum of the individual normal costs for all active participants. For an active participant, the normal cost is the participant's normal cost accrual rate, multiplied by the participant's current compensation.

- (a) The normal cost accrual rate equals:
 - (i) the present value of future benefits for the participant, determined as of the participant's entry age, divided by
 - (ii) the present value of the compensation expected to be paid to the participant for each year of the participant's anticipated future service, determined as of the participant's entry age.
- (b) In calculating the present value of future compensation, the salary scale is applied both retrospectively and prospectively to estimate compensation in years prior to and subsequent to the valuation year based on the compensation used for the valuation.
- (c) The accrued liability is the sum of the individual accrued liabilities for all participants and beneficiaries. A participant's accrued liability equals the present value, at the participant's attained age, of future benefits less the present value at the participant's attained age of the individual normal costs payable in the future. A beneficiary's accrued liability equals the present value, at the beneficiary's attained age, of future benefits. The unfunded accrued liability equals the total accrued liability less the actuarial value of assets.
- (d) Under this method, the entry age used for each active participant is the participant's age at the time he or she would have commenced participation if the plan had always been in existence under current terms, or the age as of which he or she first earns service credits for purposes of benefit accrual under the current terms of the plan.

CHANGES IN NET ASSETS AVAILABLE FOR BENEFITS
December 31, 2014
Actuarial Asset Basis

INCOME		
Contributions:		
Member	1,565,053	
City	8,644,196	
Total Contributions		10,209,249
Earnings from Investments		
Interest & Dividends	2,661,220	
Net Increase in Fair Value of Investments	6,307,892	
Change in Actuarial Value	(1,183,666)	
Total Earnings and Investment Gains		7,785,446
EXPENSES		
Administrative Expenses:		
Investment Related*	293,979	
Other	68,938	
Total Administrative Expenses		362,917
Distributions to Members:		
Benefit Payments	9,776,130	
Refund of Contributions/Transfers	114,915	
Total Distributions		9,891,045
Change in Net Assets for the Year		7,740,733
Net Assets Beginning of the Year		87,135,559
Net Assets End of the Year**		94,876,292

*Investment Related expenses include investment advisory, custodial and performance monitoring fees.

**Net Assets may be limited for actuarial consideration

ACTUARIAL ASSET VALUATION

December 31, 2014

Actuarial Assets for funding purposes are developed by recognizing the total actuarial investment gain or loss for each Plan Year over a five year period. In the first year, 20% of the gain or loss is recognized. In the second year 40%, in the third year 60%, in the fourth year 80%, and in the fifth year 100% of the gain or loss is recognized. The actuarial investment gain or loss is defined as the actual return on investments minus the actuarial assumed investment return. Actuarial Assets shall not be less than 80% nor greater than 120% of the Market Value of Assets.

Plan Year Ending	Gain/(Loss)	Gains/(Losses) Not Yet Recognized				
		Amounts Not Yet Recognized by Valuation Year				
		2015	2016	2017	2018	2019
12/31/2011	(3,207,261)	(641,452)	0	0	0	0
12/31/2012	1,803,623	721,449	360,725	0	0	0
12/31/2013	4,195,519	2,517,311	1,678,208	839,104	0	0
12/31/2014	2,767,428	2,213,942	1,660,457	1,106,971	553,486	0
Total		4,811,250	3,699,390	1,946,075	553,486	0

Development of Investment Gain/(Loss)

Market Value of Assets, 12/31/2013	90,763,143
Contributions Less Benefit Payments & Administrative Expenses	249,266
Expected Investment Earnings *	5,907,705
Actual Net Investment Earnings	<u>8,675,133</u>
2015 Actuarial Investment Gain/(Loss)	2,767,428

*Expected Investment Earnings = 6.50% x (90,763,143 + 0.5 x 249,266)

Development of Actuarial Value of Assets

Market Value of Assets, 12/31/2014	99,687,542
(Gains)/Losses Not Yet Recognized	<u>(4,811,250)</u>
Actuarial Value of Assets, 12/31/2014	94,876,292

(A) 12/31/2013 Actuarial Assets: 87,135,559

(I) Net Investment Income:

1. Interest and Dividends	2,661,220
2. Net Increase in Fair Value of Investments	6,307,892
3. Change in Actuarial Value	(1,183,666)
4. Investment Expenses	<u>(293,979)</u>
Total	7,491,467

(B) 12/31/2014 Actuarial Assets: 94,876,292

Actuarial Asset Rate of Return = (2 x I) / (A + B - I): 8.59%

Market Value of Assets Rate of Return: 9.54%

1/1/2015 Limited Actuarial Assets: 94,876,292

STATISTICAL DATA ¹

	<u>1/1/2012</u>	<u>1/1/2013</u>	<u>1/1/2014</u>	<u>1/1/2015</u>
<u>Active Members</u>				
<i>Tier 1</i>				
Number	N/A	N/A	N/A	134
Average Current Age	N/A	N/A	N/A	41.7
Average Age at Employment	N/A	N/A	N/A	27.9
Average Past Service	N/A	N/A	N/A	13.8
Average Annual Salary	N/A	N/A	N/A	\$94,738
<i>Tier 2</i>				
Number	N/A	N/A	N/A	29
Average Current Age	N/A	N/A	N/A	28.6
Average Age at Employment	N/A	N/A	N/A	26.5
Average Past Service	N/A	N/A	N/A	2.1
Average Annual Salary	N/A	N/A	N/A	\$68,958
<u>Retirees & Beneficiaries</u>				
Number	N/A	N/A	156	157
Average Current Age	N/A	N/A	N/A	70.2
Average Annual Benefit	N/A	N/A	\$56,139	\$58,769
<u>Disability Retirees</u>				
Number	N/A	N/A	15	16
Average Current Age	N/A	N/A	N/A	59.8
Average Annual Benefit	N/A	N/A	\$39,066	\$40,278
<u>Terminated Vested Members</u>				
Number	N/A	N/A	14	13
Average Current Age	N/A	N/A	N/A	41.2
Average Annual Benefit	N/A	N/A	\$0 ²	\$24,028 ³

¹ Foster & Foster does not have the complete historical data to include all information prior to 1/1/2015.

² The amounts of deferred benefits for terminated vested members was not provided in the report issued by TCG Public Consulting, Ltd.

³ Some of the terminated vested members shown in this column were entitled to future monthly benefits, while others were only entitled to a refund of member contributions. The average annual benefit shown is determined based on only the terminated vested members who are due a future monthly benefit.

AGE AND SERVICE DISTRIBUTION

PAST SERVICE

AGE	0	1	2	3	4	5-9	10-14	15-19	20-24	25-29	30+	Total
15 - 19	0	0	0	0	0	0	0	0	0	0	0	0
20 - 24	3	0	0	0	0	0	0	0	0	0	0	3
25 - 29	4	3	2	8	0	3	0	0	0	0	0	20
30 - 34	1	2	1	2	0	24	4	0	0	0	0	34
35 - 39	0	1	0	2	2	12	22	0	0	0	0	39
40 - 44	0	0	0	0	0	4	8	5	0	0	0	17
45 - 49	0	0	0	0	0	1	12	5	8	0	0	26
50 - 54	0	0	0	0	0	0	0	1	5	7	0	13
55 - 59	0	0	0	0	0	0	1	1	2	2	0	6
60 - 64	0	0	0	0	0	0	1	1	0	2	0	4
65+	0	0	0	0	0	0	0	0	0	1	0	1
Total	8	6	3	12	2	44	48	13	15	12	0	163

PARTICIPANT RECONCILIATION

1. Active lives

a. Number in prior valuation 1/1/2014	165
b. Terminations	
i. Vested (partial or full) with deferred benefits	0
ii. Non-vested or full lump sum distribution received	5
c. Deaths	
i. Beneficiary receiving benefits	0
ii. No future benefits payable	0
d. Disabled	0
e. Retired	5
f. Voluntary withdrawal	<u>0</u>
g. Continuing participants	155
h. New entrants	<u>8</u>
i. Total active life participants in 1/1/2015 valuation	163

2. Non-Active lives (including beneficiaries receiving benefits)

	Service Retirees, Vested Receiving <u>Benefits</u>	Vested <u>Deferred</u>	Receiving Disability <u>Benefits</u>	Receiving Death <u>Benefits</u>	<u>Total</u>
Participants, 1/1/2014	128	14	15	28	185
Retired	5	0	0	0	5
Vested Deferred	1	(1)	0	0	0
Death, With Survivor	(2)	0	0	2	0
Death, No Survivor	(2)	0	0	(2)	(4)
Disabled	0	0	0	0	0
Refund of Contributions	0	0	0	0	0
Rehires	0	0	0	0	0
Data Corrections	(1)	0	1	0	0
Participants, 1/1/2015	129	13	16	28	186

SUMMARY OF CURRENT PLAN

Article 3 Pension Fund

The Plan is established and administered as prescribed by “Article 3. Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code.

Credited Service

Years and fractional parts of years of service as a sworn police officer employed by the City.

Normal Retirement

Date

Tier 1: Age 50 and 20 years of Credited Service.

Tier 2: Age 55 with 10 years of service

Benefit

Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,000 per month.

Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

Form of Benefit

Tier 1: For married retirees, an annuity payable for the life of the Member; upon the death of the member, 100% of the Member’s benefit payable to the spouse until death. For unmarried retirees, the normal form is a Single Life Annuity.

Tier 2: Same as above, but with 66 2/3% of benefit continued to spouse.

Cost-of-Living Adjustment

Tier 1: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55

Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension start date whichever is later.

Disability Benefit

Eligibility

Total and permanent as determined by the Board of Trustees.

Benefit Amount

A maximum of:

- a.) 65% of salary attached to the rank held by Member on last day of service, and;
- b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately.

For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

Pre-Retirement Death Benefit

Service Incurred

100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred

A maximum of:

- a.) 50% of salary attached to the rank held by Member on last day of service, and;
- b.) The monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

For non-service deaths with less than 10 years of service, a refund of member contributions is provided.

Contributions

Employee

9.91% of Salary.

City

Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over a period ending in 2040.

Vesting (Termination)

Less than 10 years

Refund of Member Contributions.

10 or more years

Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions. The termination benefit is 2.50% of annual salary held in the year prior to termination times creditable service.

Board of Trustees

The Board consists of two members appointed by the City, two active Members of the Police Department elected by the Membership and one retired Member of the Police Department elected by the Membership.

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

ANNUAL PENSION COSTS AND RELATED INFORMATION

Contribution rates as of 12/31/2014

City	58.7%
Plan Members	9.91%
Annual Pension Cost	8,248,103
Contributions made	8,644,196
Actuarial valuation date	1/1/2014
Actuarial cost method	Entry Age Normal
Amortization method	Level % of payroll, closed
Remaining amortization period	19.5 Years (as of 1/1/2014)
Asset valuation method	Five-Year Smoothed
Actuarial assumptions:	
Investment rate of return	6.75%
Projected salary increase**	Graded from 7.69% to 3.62%
** Includes inflation at	2.50%
Post Retirement COLA	3.00%

<u>Year</u> <u>Ending</u>	<u>Annual</u> <u>Pension</u> <u>Cost</u>	<u>Percentage</u> <u>of APC *</u> <u>Contributed</u>	<u>Net</u> <u>Pension</u> <u>Obligation</u>
12/31/2014	8,248,103	105%	11,595,777

* Annual Pension Cost from City sources.

DISCLOSURE INFORMATION PER STATEMENT NO. 27 OF THE
GOVERNMENTAL ACCOUNTING STANDARDS BOARD

DEVELOPMENT OF NET PENSION OBLIGATION (NPO)

The recent development of the Net Pension Obligation is as follows:

	<u>12/31/2014</u>
Actuarially Determined	
Contribution (A)	8,213,172
Interest on NPO	809,451
Adjustment to (A)	(774,520)

Annual Pension Cost	8,248,103
Contributions Made	8,644,196

Increase in NPO	(396,093)
NPO Beginning of Year	11,991,870

NPO End of Year	11,595,777

<u>ASSETS</u>	MARKET VALUE
Cash and Cash Equivalents:	
Money Market	2,359,788
Cash	5,245
Total Cash and Equivalents	2,365,033
Receivables:	
IMET Estimated Uncollectible	(1,698)
From General Trust Fund	66,440
From City	1,264,243
Accrued Past Due Interest	407,390
Total Receivable	1,736,375
Investments:	
U.S. Gov't and Agency Obligations	32,742,964
Stock Equities	18,550,358
Corporate Bonds	10,467,891
Mutual Funds	33,824,921
Total Investments	95,586,134
Total Assets	99,687,542
<u>LIABILITIES</u>	
Total Liabilities	0
NET POSITION RESTRICTED FOR PENSIONS	99,687,542

STATEMENT OF CHANGES IN FIDUCIARY NET POSITION
FOR THE YEAR ENDED DECEMBER 31, 2014
Market Value Basis

ADDITIONS

Contributions:		
Member	1,565,053	
City	8,644,196	
Total Contributions		10,209,249
Investment Income:		
Net Increase in Fair Value of Investments	6,307,892	
Interest & Dividends	2,661,220	
Less Investment Expense ¹	(293,979)	
Net Investment Income		8,675,133
Total Additions		18,884,382

DEDUCTIONS

Distributions to Members:		
Benefit Payments	9,776,130	
Refund of Contributions/Transfers	114,915	
Total Distributions		9,891,045
Administrative Expenses		68,938
Total Deductions		9,959,983
Net Increase in Net Position		8,924,399
NET POSITION RESTRICTED FOR PENSIONS		
Beginning of the Year		90,763,143
End of the Year		99,687,542

¹Investment Related expenses include investment advisory, custodial and performance monitoring fees.

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended December 31, 2014)

Plan Description

Plan Administration

The Board consists of two members appointed by the City, two active Members of the Police Department elected by the Membership and one retired Member of the Police Department elected by the Membership.

Plan Membership as of January 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	179
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	6
Active Plan Members	165
	350

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Tier 1: Age 50 and 20 years of Credited Service. Tier 2: Age 55 with 10 years of service.

Benefit: Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,000 per month.

Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

Cost-of-Living Adjustment:

Tier 1: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.

Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension start date whichever is later.

Disability Benefit:

Eligibility: Total and permanent as determined by the Board of Trustees.

Benefit Amount: A maximum of: a.) 65% of salary attached to the rank held by Member on last day of service, and; b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately.

For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

Pre-Retirement Death Benefit:

Service Incurred: 100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred: A maximum of:

a.) 50% of salary attached to the rank held by Member on last day of service, and;

b.) The monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

For non-service deaths with less than 10 years of service, a refund of member contributions is provided.

Vesting (Termination):

Less than 10 years: Refund of Member Contributions.

10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions. The termination benefit is 2.50% of annual salary held in the year prior to termination times creditable service.

Contributions

Employee: 9.91% of salary including longevity, but excluding overtime pay, holiday pay, bonus pay, merit pay or other cash benefit.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over a period ending in 2040.

Investments

Investment Policy:

The following was the Board's adopted asset allocation policy as of December 31, 2014:

<u>Asset Class</u>	<u>Target Allocation</u>
Domestic Equity Large Cap	52%
Domestic Small Cap	5%
International Developed Foreign	5%
Fixed Income Investment Grade Corporate	8%
Fixed Income Intermediate U.S. Treasuries	25%
REITS	3%
Cash	2%
<u>Total</u>	<u>100%</u>

Concentrations:

The Plan did not hold investments in any one organization that represent 5 percent or more of the Pension Plan's fiduciary net position.

Rate of Return:

For the year ended December 31, 2014, the annual money-weighted rate of return on Pension Plan investments, net of pension plan investment expense, was 9.54 percent.

The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

NET PENSION LIABILITY OF THE SPONSOR

The components of the net pension liability of the sponsor on December 31, 2014 were as follows:

Total Pension Liability	\$ 189,324,239
Plan Fiduciary Net Position	\$ (99,687,542)
Sponsor's Net Pension Liability	\$ 89,636,697
Plan Fiduciary Net Position as a percentage of Total Pension Liability	52.65%

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of January 1, 2014 updated to December 31, 2014 using the following actuarial assumptions.

Inflation	2.50%
Salary Increases	Graded by age from 7.69% to 3.62% at age 55 and later
Investment Rate of Return	6.75%

Mortality Rate: RP-2000 Combined Healthy Mortality with a Blue Collar Adjustment.

Disabled Mortality Rate: RP-2000 Disabled Retiree Mortality.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December 31, 2014 are summarized in the following table:

Asset Class	Long Term Expected Real Rate of Return
Domestic Equity Large Cap	5.35%
Domestic Small Cap	6.56%
International Developed Foreign	5.85%
Fixed Income Investment Grade Corporate	2.50%
Fixed Income Intermediate U.S. Treasuries	2.04%
REITS	5.92%
Cash	-0.25%

Discount Rate:

The discount rate used to measure the total pension liability was 6.75 percent.

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 sponsor 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 plan 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.

	1% Decrease 5.75%	Current Discount Rate 6.75%	1% Increase 7.75%
Sponsor's Net Pension Liability	\$ 113,444,590	\$ 89,636,697	\$ 69,837,068

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>12/31/2014</u>
Total Pension Liability	
Service Cost	3,439,223
Interest	12,284,036
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Contributions - Buy Back	-
Benefit Payments, Including Refunds of Employee Contributions	(9,891,045)
Net Change in Total Pension Liability	<u>5,832,214</u>
Total Pension Liability - Beginning	183,492,025
Total Pension Liability - Ending (a)	<u><u>\$ 189,324,239</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	8,644,196
Contributions - Employee	1,565,053
Contributions - Buy Back	-
Net Investment Income	8,675,133
Benefit Payments, Including Refunds of Employee Contributions	(9,891,045)
Administrative Expense	(68,938)
Other	-
Net Change in Plan Fiduciary Net Position	<u>8,924,399</u>
Plan Fiduciary Net Position - Beginning	90,763,143
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 99,687,542</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 89,636,697</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.65%
Covered Employee Payroll	\$ 13,537,726
Net Pension Liability as a Percentage of covered Employee Payroll	662.13%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	12/31/2014
Actuarially Determined Contribution	8,257,475
Contributions in Relation to the	
Actuarially Determined Contributions	8,644,196
Contribution Deficiency (Excess)	\$ (386,721)
Covered Employee Payroll	\$ 13,537,726
Contributions as a Percentage of	
Covered Employee Payroll	63.85%

Notes to Schedule:

Valuation Date: 01/01/2014

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal.
 Investment Return: 6.75% per annum, compounded annually (net of expenses).
 Salary Increases: Representative values of assumed salary increases are as follows:

<u>Age</u>	<u>Increase %</u>
25	4.8611
30	2.9848
35	2.0341
40	1.5239
45	1.3083
50	1.1846
55	1.1220

An additional inflation allowance of 2.50% per year is added to the above.

Payroll Growth: 0%
 Cost-of-Living Adjustments: It was assumed that the Consumer Price Index - Urban (CPI-U) would increase 2.50% per year.

Actuarial Asset Method: The actuarial value of assets recognizes future gains and losses based on a 5-year smoothed market method as prescribed by Statute.

In a 5-year smoothed market method, the current market value of assets is reduced (increased) for the current year and each of three succeeding years, by a portion of the gain/(loss) in market value during the prior year. Such gain/(loss) is determined as the excess/(deficit) of the current market value of assets over the market value of assets as of the prior year, increased to reflect interest at the actuarial rate and adjusted to reflect contributions and benefit payments during the prior year. The portion of such gain/(loss) by which the current market value of assets is reduced (increased) shall be 80% in the current year, 60% in the first succeeding year, 40% in the second succeeding year and 20% in the third succeeding year.

Additionally, in accordance with government accounting standards, the actuarial value of assets is adjusted to remove any contributions receivable on the reporting date.

Mortality Active Lives: RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over. Five percent (5%) of deaths amongst active police officers are assumed to be in the performance of their duty.

Mortality Non-Active Lives: RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over.

Termination: Illustrative rates of withdrawal from the plan for reasons other than death or disability are as follows:

<u>Age</u>	<u>Rate of Withdrawal</u>
25	0.0734
30	0.0416
35	0.0223
40	0.0119
45	0.0102

It is assumed that terminated police officers will not be rehired.

Disability Rates: Incidence of disability amongst police officers eligible for disability benefits:

<u>Age</u>	<u>Rate</u>
25	0.0013
30	0.0026
35	0.0044
40	0.0071
45	0.0108
50	0.0159

15% of disabilities amongst active police officers are assumed to be in the performance of their duty.

Retirement Rates:

Retirement are assumed to occur between the ages of 50 and 69 in accordance with the following table:

<u>Age</u>	<u>Rate of Retirement</u>	<u>Age</u>	<u>Rate of Retirement</u>
50	0.36	60	0.22
51	0.22	61	0.30
52	0.18	62	0.39
53	0.19	63	0.48
54	0.19	64	0.57
55	0.20	65	0.65
56	0.20	66	0.74
57	0.20	67	0.83
58	0.21	68	0.91
59	0.21	69	1.00

Marital Status:

85% of police officers are assumed to be married.

Spouse's Age:

Wives are assumed to be 3 years older than their husbands.

SCHEDULE OF INVESTMENT RETURNS
Last 10 Fiscal Years

	<u>12/31/2014</u>
Annual Money-Weighted Rate of Return Net of Investment Expense	9.54%

NOTES TO THE FINANCIAL STATEMENTS
(For the Year Ended December 31, 2014)

General Information about the Pension Plan

Plan Description

The Plan is established and administered as prescribed by “Article 3. Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code.

The Board consists of two members appointed by the City, two active Members of the Police Department elected by the Membership and one retired Member of the Police Department elected by the Membership.

Plan Membership as of January 1, 2014:

Inactive Plan Members or Beneficiaries Currently Receiving Benefits	179
Inactive Plan Members Entitled to but Not Yet Receiving Benefits	6
Active Plan Members	165
	350
	350

Benefits Provided

The Plan provides retirement, termination, disability and death benefits.

Normal Retirement:

Date: Tier 1: Age 50 and 20 years of Credited Service. Tier 2: Age 55 with 10 years of service.

Benefit: Tier 1: 50% of annual salary attached to rank on last day of service plus 2.50% of annual salary for each year of service over 20 years, up to a maximum of 75% of salary. The minimum monthly benefit is \$1,000 per month.

Tier 2: 2.50% per year of service times the average salary for the eight consecutive years prior to retirement times the number of years of service. The maximum benefit is 75% of average salary.

Cost-of-Living Adjustment:

Tier 1: An annual increase equal to 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55.

Tier 2: An annual increase each January 1 equal to 3.00% per year or one-half of the annual unadjusted percentage increase in the consumer price index-u for the 12 months ending with the September preceding each November 1, whichever is less, of the original pension after the attainment of age 60 or first anniversary of pension start date whichever is later.

Disability Benefit:

Eligibility: Total and permanent as determined by the Board of Trustees.

Benefit Amount: A maximum of: a.) 65% of salary attached to the rank held by Member on last day of service, and; b.) The monthly retirement pension that the Member is entitled to receive if he or she retired immediately.

For non-service connected disabilities, a benefit of 50% of salary attached to rank held by Member on last day of service.

Pre-Retirement Death Benefit:

Service Incurred: 100% of salary attached to rank held by Member on last day of service.

Non-Service Incurred: A maximum of:

a.) 50% of salary attached to the rank held by Member on last day of service, and;

b.) The monthly retirement pension earned by the deceased Member at the time of death, regardless of whether death occurs before or after age 50.

Vesting (Termination):

Less than 10 years: Refund of Member Contributions.

10 or more years: Either the termination benefit, payable upon reaching age 60, provided contributions are not withdrawn, or a refund of member contributions. The termination benefit is 2.50% of annual salary held in the year prior to termination times creditable service.

Contributions

Employee: 9.91% of salary including longevity, but excluding overtime pay, holiday pay, bonus pay, merit pay or other cash benefit.

City: Remaining amount necessary for payment of Normal (current year's) Cost and amortization of the accrued past service liability over a period ending in 2040.

Net Pension Liability

The Sponsor's net pension liability was measured as of December 31, 2014.

The total pension liability used to calculate the net pension liability was determined as of that date.

Actuarial Assumptions:

The total pension liability was determined by an actuarial valuation as of January 1, 2014 updated to December 31, 2014 using the following actuarial assumptions.

Inflation	2.50%
Salary Increases	Graded by age from 7.69% to 3.62% at age 55 and later
Investment Rate of Return	6.75%

Mortality Rate: RP-2000 Combined Healthy Mortality with a Blue Collar Adjustment.

Disabled Mortality Rate: RP-2000 Disabled Retiree Mortality.

The long-term expected rate of return on pension plan investments was determined using a building-block method in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expenses and inflation) are developed for each major asset class.

These ranges are combined to produce the long term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation.

Best estimates of arithmetic real rates of return for each major asset class included in the pension plan's target asset allocation as of December, 31 2014 are summarized in the following table:

Asset Class	Target Allocation	Long Term Expected Real Rate of Return
Domestic Equity Large Cap	52%	5.35%
Domestic Small Cap	5%	6.56%
International Developed Foreign	5%	5.85%
Fixed Income Investment Grade Corporate	8%	2.50%
Fixed Income Intermediate U.S. Treasuries	25%	2.04%
REITS	3%	5.92%
Cash	2%	-0.25%
Total	100%	

Discount Rate:

The discount rate used to measure the total pension liability was 6.75 percent.

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 sponsor 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 plan 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.

CHANGES IN NET PENSION LIABILITY

	Increase (Decrease)		
	Total Pension Liability	Plan Fiduciary Net Position	Net Pension Liability
	(a)	(b)	(a)-(b)
Balances at December 31, 2013	\$ 183,492,025	\$ 90,763,143	\$ 92,728,882
Changes for a Year:			
Service Cost	3,439,223		3,439,223
Interest	12,284,036		12,284,036
Differences Between Expected and Actual Experience	-		-
Changes of Assumptions	-		-
Changes of Benefit Terms	-		-
Contributions - Employer		8,644,196	(8,644,196)
Contributions - Employee		1,565,053	(1,565,053)
Contributions - Buy Back	-	-	-
Net Investment Income		8,675,133	(8,675,133)
Benefit Payments, Including Refunds of Employee Contributions	(9,891,045)	(9,891,045)	-
Administrative Expense		(68,938)	68,938
Other Changes	-	-	-
New Changes	5,832,214	8,924,399	(3,092,185)
Balances at December 31, 2014	\$ 189,324,239	\$ 99,687,542	\$ 89,636,697

Sensitivity of the net pension liability to changes in the discount rate.

	Current Discount		
	1% Decrease	Rate	1% Increase
	5.75%	6.75%	7.75%
Sponsor's Net Pension Liability	\$ 113,444,590	\$ 89,636,697	\$ 69,837,068

Pension plan fiduciary net position.

Detailed information about the pension plan's fiduciary net position is available in a separately issued Plan financial report.

PENSION EXPENSE AND DEFERRED OUTFLOWS OF RESOURCES AND DEFERRED INFLOWS
OF RESOURCES RELATED TO PENSIONS

For the year ended December 31, 2015 the Sponsor will recognize a pension expense of \$7,584,177. On December 31, 2015 the Sponsor reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences Between Expected and Actual Experience	-	-
Changes of Assumptions	-	-
Net Difference Between Projected and Actual Earnings on Pension Plan Investments	-	2,032,166
Total	\$ -	\$ 2,032,166

Amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended September 30:	
2016	\$ (508,042)
2017	\$ (508,042)
2018	\$ (508,041)
2019	\$ (508,041)
2020	\$ -
Thereafter	\$ -

SCHEDULE OF CHANGES IN NET PENSION LIABILITY AND RELATED RATIOS
Last 10 Fiscal Years

	<u>12/31/2014</u>
Total Pension Liability	
Service Cost	3,439,223
Interest	12,284,036
Changes of Benefit Terms	-
Differences Between Expected and Actual Experience	-
Changes of Assumptions	-
Contributions - Buy Back	-
Benefit Payments, Including Refunds of Employee Contributions	(9,891,045)
Net Change in Total Pension Liability	<u>5,832,214</u>
Total Pension Liability - Beginning	183,492,025
Total Pension Liability - Ending (a)	<u><u>\$ 189,324,239</u></u>
Plan Fiduciary Net Position	
Contributions - Employer	8,644,196
Contributions - Employee	1,565,053
Contributions - Buy Back	-
Net Investment Income	8,675,133
Benefit Payments, Including Refunds of Employee Contributions	(9,891,045)
Administrative Expense	(68,938)
Other	-
Net Change in Plan Fiduciary Net Position	<u>8,924,399</u>
	-
Plan Fiduciary Net Position - Beginning	90,763,143
Plan Fiduciary Net Position - Ending (b)	<u><u>\$ 99,687,542</u></u>
Net Pension Liability - Ending (a) - (b)	<u><u>\$ 89,636,697</u></u>
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	52.65%
Covered Employee Payroll	\$ 13,537,726
Net Pension Liability as a Percentage of covered Employee Payroll	662.13%

SCHEDULE OF CONTRIBUTIONS

Last 10 Fiscal Years

	12/31/2014
Actuarially Determined Contribution	8,257,475
Contributions in Relation to the	
Actuarially Determined Contributions	8,644,196
Contribution Deficiency (Excess)	\$ (386,721)
Covered Employee Payroll	\$ 13,537,726
Contributions as a Percentage of	
Covered Employee Payroll	63.85%

Notes to Schedule:

Valuation Date: 01/01/2014

Actuarially determined contribution rates are calculated as of January 1, one year prior to the end of the fiscal year in which contributions are reported.

Methods and assumptions used to determine contribution rates:

Funding Method: Entry Age Normal.
 Investment Return: 6.75% per annum, compounded annually (net of expenses).
 Salary Increases: Representative values of assumed salary increases are as follows:

<u>Age</u>	<u>Increase %</u>
25	4.8611
30	2.9848
35	2.0341
40	1.5239
45	1.3083
50	1.1846
55	1.1220

An additional inflation allowance of 2.50% per year is added to the above.

Payroll Growth: 0%
 Cost-of-Living Adjustments: It was assumed that the Consumer Price Index - Urban (CPI-U) would increase 2.50% per year.

Actuarial Asset Method:

The actuarial value of assets recognizes future gains and losses based on a 5-year smoothed market method as prescribed by Statue.

In a 5-year smoothed market method, the current market value of assets is reduced (increased) for the current year and each of three succeeding years, by a portion of the gain/(loss) in market value during the prior year. Such gain/(loss) is determined as the excess/(deficit) of the current market value of assets over the market value of assets as of the prior year, increased to reflect interest at the actuarial rate and adjusted to reflect contributions and benefit payments during the prior year. The portion of such gain/(loss) by which the current market value of assets is reduced (increased) shall be 80% in the current year, 60% in the first succeeding year, 40% in the second succeeding year and 20% in the third succeeding year.

Additionally, in accordance with government accounting standards, the actuarial value of assets is adjusted to remove any contributions receivable on the reporting date.

Mortality Active Lives:

RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over. Five percent (5%) of deaths amongst active police officers are assumed to be in the performance of their duty.

Mortality Non-Active Lives:

RP-2000 Combined Healthy Mortality Table (male) with blue collar adjustment and with a 200% load for participants under age 50 and 125% for participants age 50 and over.

Termination:

Illustrative rates of withdrawal form the plan for reasons other than death or disability are as follows:

<u>Age</u>	<u>Rate of Withdrawal</u>
25	0.0734
30	0.0416
35	0.0223
40	0.0119
45	0.0102

It is assumed that terminated police officers will not be rehired.

Disability Rates:

Incidence of disability amongst police officers eligible for disability benefits:

<u>Age</u>	<u>Rate</u>
25	0.0013
30	0.0026
35	0.0044
40	0.0071
45	0.0108
50	0.0159

15% of disabilities amongst active police officers are assumed to be in the performance of their duty.

Retirement Rates:

Retirement are assumed to occur between the ages of 50 and 69 in accordance with the following table:

<u>Age</u>	<u>Rate of Retirement</u>	<u>Age</u>	<u>Rate of Retirement</u>
50	0.36	60	0.22
51	0.22	61	0.30
52	0.18	62	0.39
53	0.19	63	0.48
54	0.19	64	0.57
55	0.2	65	0.65
56	0.2	66	0.74
57	0.2	67	0.83
58	0.21	68	0.91
59	0.21	69	1.00

Marital Status:

85% of police officers are assumed to be married.

Spouse's Age:

Wives are assumed to be 3 years older than their husbands.

COMPONENTS OF PENSION EXPENSE
FISCAL YEAR DECEMBER 31, 2015

	Net Pension Liability	Deferred Inflows	Deferred Outflows	Pension Expense
Beginning balance	\$ 92,728,882	\$ -	\$ 8,644,196	
Total pension liability factors:				
Service cost	3,439,223			3,439,223
Interest	12,284,036			12,284,036
Changes in Benefit terms	-			-
Contributions - Buy back	-			-
Differences between expected and actual experience with regard to economic or demographic assumptions	-	-	-	
Current year amortization		-	-	-
Changes in assumptions about future economic or demographic factors or other inputs	-	-	-	
Current year amortization		-	-	-
Benefit payments	(9,891,045)			(9,891,045)
Net change	<u>5,832,214</u>	<u>-</u>	<u>-</u>	<u>5,832,214</u>
Plan fiduciary net position:				
Contributions - Employer	8,644,196		(8,644,196)	
Contributions - Employee	1,565,053			(1,565,053)
Contributions - Buy back	-			-
Net investment income	6,134,925			(6,134,925)
Difference between projected and actual earnings on pension plan investments				
Current year amortization	2,540,208	2,540,208	-	
Current year amortization		(508,042)	-	(508,042)
Benefit payments	(9,891,045)			9,891,045
Administrative expenses	(68,938)			68,938
Other	-			-
Net change	<u>8,924,399</u>	<u>2,032,166</u>	<u>(8,644,196)</u>	<u>1,751,963</u>
Ending Balance	<u>\$ 89,636,697</u>	<u>\$ 2,032,166</u>	<u>\$ -</u>	<u>\$ 7,584,177</u>