



The Village of Oak Park
 Village Hall
 123 Madison Street
 Oak Park, Illinois 60302-4272

Phone: 708.383.5462
 Fax: 708.358.5105
 Web: www.oak-park.us

Finance Department

To: Cara Pavlicek, Village Manager

Cc: Lisa Shelley, Deputy Village Manager
 Julia Scott-Valdez- Human Resource Manager

From: Steve Drazner, CFO/Treasurer

RE: Actuarial Valuations for Tax Year 2017 Police/Fire Levy

Date: October 11, 2018

Attached for your information and review please find the Police and Firefighters' Actuarial Valuations as of January 1, 2018 (prepared using FY 2017 data). These valuations were completed by the actuarial division of Lauterbach & Amen.

	Prior Year 1/1/17 (based on 12/31/16 data)			LAUTERBACH & AMEN Current Year 1/1/18 (based on 12/31/17 data)				
	Actuarial Recommended Contribution	Addtl Voluntary Contribution	Actual Amount Levied	Actuarial Recommended Contribution	Actuarial Assets	Total Liability	Unfunded Liability	Funding Percentage
Police Pension	5,470,687	-	5,470,687	6,211,250	98,885,224	166,524,424	67,639,200	59.4%
Fire Pension	5,277,679	-	5,277,679	5,158,133	50,869,298	116,711,863	65,842,565	43.6%
TOTAL	10,748,366	-	10,748,366	11,369,383	149,754,522	283,236,287	133,481,765	

As summarized above, the combined annual contribution for tax year 2018 (to be budgeted and levied for FY19) has increased by \$621,017 for the combined pensions compared to the previous year. The recommended Fire Pension Plan contribution has decreased by \$119,546 while the Police Pension Plan contribution increased by \$740,563. The following assumptions were used for both pension valuations:

- Discount rate of 6.75%. The municipal rate used is typically greater than a rate used by private sector defined benefit plans. There is an inverse relationship between the discount rate and the unfunded liability. In other words, as the discount rate decreases, the liability will increase.
- 100% funding by 2040.
- Actuarial cost method used= Entry Age Normal
- Mortality table: RP-2014 Blue Collar with some adjustments



The Village of Oak Park
Village Hall
123 Madison Street
Oak Park, Illinois 60302-4272

Phone: 708.383.5462
Fax: 708.358.5105
Web: www.oak-park.us

- Salary increases ranging from 3.00% - 3.75%
- CPI rate of 2.50% (used to discount the projected benefits to current year dollars)

Pursuant to State statute, both Police and Firefighters' pension plans are required to be at least 90% funded by the year 2040. The Village is taking a more aggressive approach and requested that the actuary calculate the annual contributions so that both pension plans are 100% funded by 2040. Therefore, over the next 23 years the Village's contributions must not only cover the normal contribution amount, but must also include a surplus amount to gradually amortize (reduce) the existing unfunded liabilities.

In the case of the Police and Firefighters' Pensions, the unfunded liabilities are \$67.6M and \$65.8M, respectively. Therefore, it should be expected that in order to pay down these unfunded liabilities by 2040, using an extremely simplified calculation, the surplus annual contribution that will need to be paid by the Village would average approximately \$5.8M per year (approximately \$133M/23 yrs.) on top of the normal contribution amount which covers ongoing retirement benefits as pension service credit continues to accrue. The actual additional amount to cover unfunded liabilities may vary significantly from this average based on long term investment returns, new hires, retirements, actual life expectancies, and other relevant factors.