
I N T E R

O F F I C E

MEMO

To: Randy Recklaus, Village Manager
From: Tom Kuehne, Finance Director/Treasurer
Date: August 15, 2019
Subject: ANNUAL POLICE AND FIREFIGHTER PENSION REPORTS

In compliance with the Illinois Compiled Statutes outlined in ILCS 5/4-134, the Police and Firefighter Pension Boards are required to provide a report to the Village Board on the financial condition of the respective funds. The attached reports are in addition to the public safety pension information that is already provided in the Village's Comprehensive Annual Financial Report.

The annual pension report to the Village presents selected data from the most recent actuarial report prepared by the independent actuarial firm, MWM Consulting Group as of January 1, 2019. Each report also includes the annual actuarial requirement for the respective 2019 pension levies, which will be accounted for in the Village's budget and financial statements for the 2020 Budget. These reports will also be posted on the Village's website under the Finance Department's "Village Budget & Financials" tab.

To offset some of the volatility in the financial markets the actuarial gain or loss on investments is smoothed over three years. The funded ratio increased for both the Police Pension Fund (77.63% to 78.75%) and the Firefighter's Pension Fund (72.02% to 73.83%). Each fund experienced investment losses for 2018, but the funded ratio increased due to the Village transferring \$1.5 million to each fund through the use of excess year-end General Fund monies. The annual required contributions for the Police and Fire Pension funds will each reflect a moderate increase for the upcoming 2019 levy.

No Board action is needed on this memo. It is provided to fulfill the aforementioned statutory provision.

C: Doug Ruhnke, President, Firefighter Pension Fund
Tom Henderson, President, Police Pension Fund
Mary Juarez, Assistant Finance Director

**ARLINGTON HEIGHTS POLICE PENSION FUND
ANNUAL REPORT TO THE VILLAGE BOARD
FOR THE 2019 LEVY (2020 BUDGET)**

Source: Actuarial Valuation as of January 1, 2019, MWM Consulting Group

Actuarial value of assets			132,125,847	
Total actuarial liability			(\$167,769,855)	
Unfunded actuarial liability*			(35,644,008)	
Funded ratio			78.75%	
Annual actuarial requirement for 2019			<u>\$4,108,483</u>	
Village contribution as percent of Police participant payroll			36.80%	
Projected employee contributions			\$1,105,341	
Employee contribution rate per State Statute			9.91%	
Actuarial assumed investment return			6.75%	
Actual investment return			-4.79%	
Assumed investment return for 12 month period ended December 31, 2018			\$8,509,890	
Actual investment return for 12 month period ended December 31, 2018			(14,544,643)	
Actuarial investment gain/(loss) smoothed over three years:				
One-third of investment gain/(loss) for 2018		(\$4,848,214)		
One-third of investment gain/(loss) for 2017		\$3,035,141		
One-third of investment gain/(loss) for 2016		(\$325,349)		
Total smoothed actuarial gain/(loss)			(\$2,138,422)	
Number of active members contributing to the Police Pension Fund			107	
Number of inactive members			7	
Number of members receiving benefits/expense	101/		\$7,136,881	
		<u>Tier 1</u>	<u>Tier 2</u>	<u>Total</u>
Vested Active		70	0	70
Non-Vested Active		2	35	37
Terminated - Inactive		6	1	7
Retirees		76	0	76
Surviving Spouses		16	0	16
<u>Disability Participants</u>		9	0	9
Tot		179	36	215

*The unfunded actuarial liability represents the difference between the actuarial value of pension fund assets less the actuarial liability. To avoid unnecessary market fluctuations, actuarial assets are determined by applying an assumed rate of investment return and smoothing the gains/(losses) of the last three years. The actuarial liability represents the present value of lifetime benefits earned to date of all plan participants, including current Police Officers. The unfunded actuarial liability is amortized over the years remaining through 2040.

To determine the annual required contribution or pension property tax amount for the Village, the normal cost of the Police pension plan is added to the amortized value of the fund's unfunded liability.

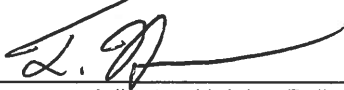
Police Pension Fund Report (page 2)

The investment policy of the Police Pension Fund is established in accordance with Illinois State Statutes, 40 ILCS 5/1-113.2-4, and is available upon request. The attached pie chart depicts the fund's assets at market value as of December 31, 2018, the most recent audited fiscal year-end.

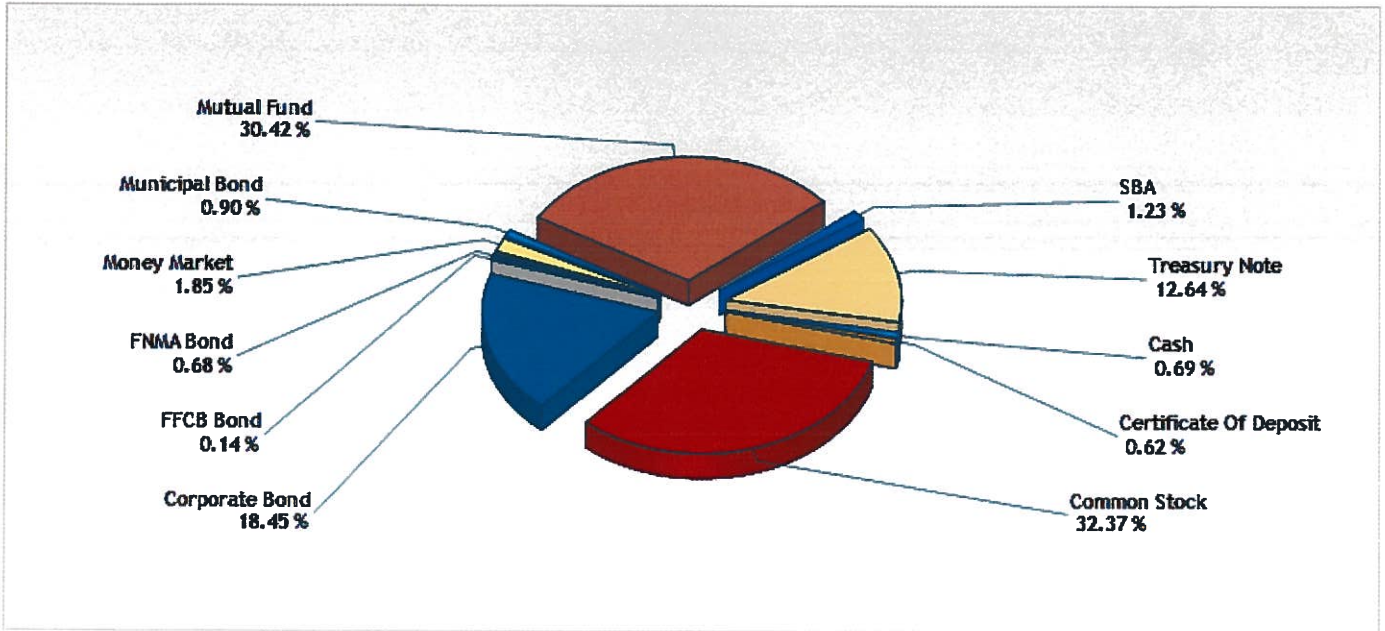
CERTIFICATION:

I, THOMAS RENDERSON, President of the Police Pension Board, Village of Arlington Heights, Illinois, do hereby certify that this document is a true and correct copy of: "Required Reporting to Municipality By Pension Board" as outlined in 40 ILCS 5/4-134.

Witness my hand this 20th day of AUGUST, 2019.

, President
Arlington Heights Police Pension Board

Portfolio Holdings Distribution by Security Type



Security Type	Face Amount/Shares	YTM @ Cost	Cost Value	Days To Maturity	% of Portfolio	Market Value	Book Value	Duration To Maturity
Cash	843,494.71	0.000	843,494.71	1	0.69	843,494.71	843,494.71	0.00
Certificate Of Deposit	765,000.00	1.811	765,060.00	360	0.62	757,585.24	765,023.20	0.97
Common Stock	660,214.00		40,168,672.88		32.37	39,399,084.98	40,168,672.88	
Corporate Bond	22,797,959.11	3.841	22,824,334.89	2,499	18.45	22,461,832.52	22,767,668.43	
FFCB Bond	165,000.00	3.279	165,015.00	5,757	0.14	165,352.44	165,013.27	12.28
FNMA Bond	829,300.53	2.521	841,587.33	2,694	0.68	830,123.69	838,215.96	
Money Market	2,249,462.51	1.860	2,249,462.51	1	1.85	2,249,462.51	2,249,462.51	0.00
Municipal Bond	1,085,000.00	4.233	1,106,720.98	3,278	0.90	1,095,252.20	1,098,029.04	7.14
Mutual Fund	459,246.52		38,108,242.22		30.42	37,032,151.53	38,108,242.22	
SBA	1,520,662.47	3.039	1,544,286.05	2,886	1.23	1,500,763.39	1,540,545.36	
Treasury Note	15,410,000.00	2.597	15,233,730.26	914	12.64	15,381,844.66	15,264,701.52	2.36
TOTAL / AVERAGE	46,785,339.85	3.171	123,850,606.83	1,801	100	121,716,947.87	123,809,069.10	

**ARLINGTON HEIGHTS FIREFIGHTERS' PENSION FUND
ANNUAL REPORT TO THE VILLAGE BOARD
FOR THE 2019 LEVY (2020 BUDGET)**

Source: Actuarial Valuation as of January 1, 2019, MWM Consulting Group

Actuarial value of assets	113,729,230
Total actuarial liability	(\$154,033,679)
Unfunded actuarial liability*	(40,304,449)
Funded actuarial ratio	73.83%
Annual actuarial requirement for 2019	<u>\$5,030,110</u>
Village contribution as percent of Firefighter/Paramedic participant payroll	43.30%
Projected employee contributions	\$1,099,292
Employee contribution rate per State Statute	9.455%
Actuarial assumed investment return	6.75%
Actual investment return	-3.40%
Assumed investment return for 12 month period ended December 31, 2018	\$7,272,950
Actual Investment return for 12 month period ended December 31, 2018	(10,935,562)
Actuarial investment gain/(loss) smoothed over three years:	
One-third of investment gain/(loss) for 2018	(\$3,645,187)
One-third of investment gain/(loss) for 2017	\$1,951,083
One-third of investment gain/(loss) for 2016	\$124,045
Total smoothed actuarial gain/(loss)	(\$1,570,059)
Number of active members contributing to the Firefighters' Pension Fund	106
Number of inactive members	3
Number of members receiving benefits/expense	105/ \$6,832,215

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Total</u>
Vested Active	78	0	78
Non-Vested Active	6	26	32
Terminated - Inactive	0	0	0
Retirees	60	0	60
Surviving Spouses	15	0	15
Minor Dependents	3	0	3
<u>Disability Participants</u>	27	0	27
Tot	189	26	215

*The unfunded actuarial liability represents the difference between the actuarial value of pension fund assets less the actuarial liability. To avoid unnecessary market fluctuations, actuarial assets are determined by applying an assumed rate of investment return and smoothing the gains/(losses) of the last three years. The actuarial liability represents the present value of lifetime benefits earned to date of all plan participants, including current Firefighters/Paramedics. The unfunded actuarial liability is amortized over the years remaining through 2040.

To determine the annual required contribution or pension property tax amount for the Village, the normal cost of the Firefighters' pension plan is added to the amortized value of the fund's unfunded liability.

Firefighters' Pension Fund Report (page 2)

The investment policy of the Firefighters' Pension Fund is established in accordance with Illinois State Statutes, 40 ILCS 5/1-113.2-.4, and is available upon request. The attached pie chart depicts the fund's assets at market value as of December 31, 2018, the most recent audited fiscal year-end.

CERTIFICATION

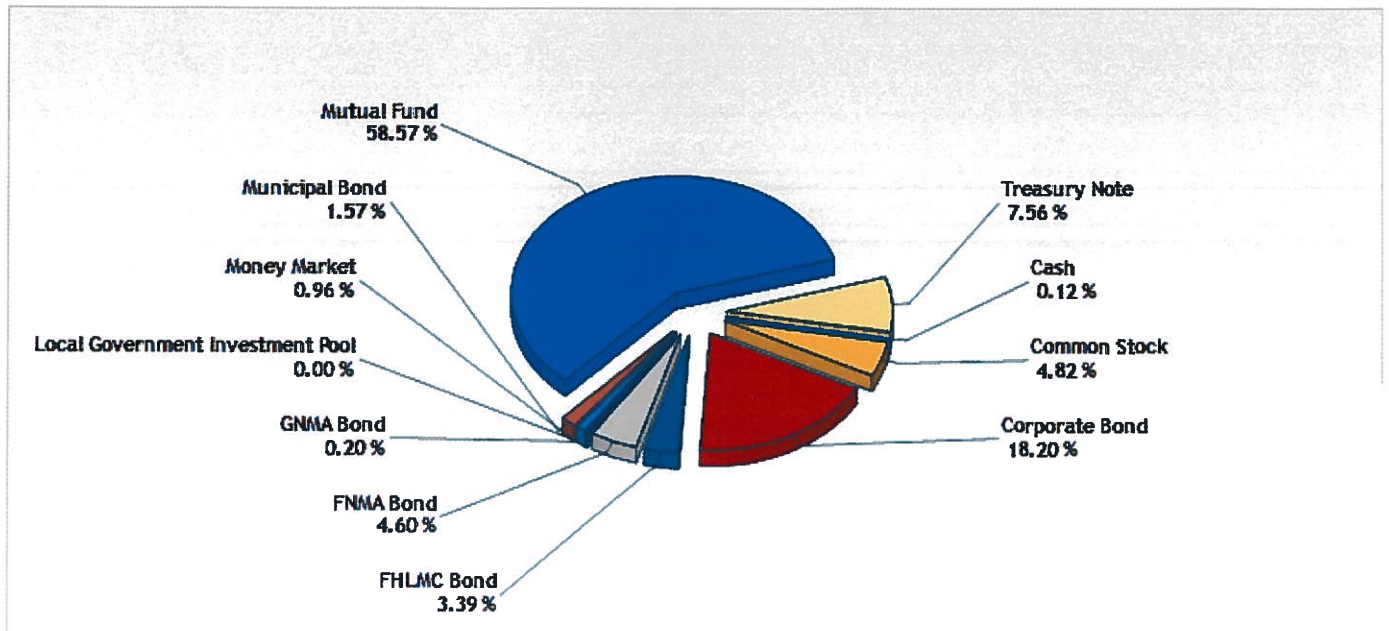
I, DOUGLAS M. RUHNKE, President of the Firefighters' Pension Board, Village of Arlington Heights, Illinois, do hereby certify that this document is a true and correct copy of: "Required Reporting to Municipality By Pension Board" as outlined in 40 ILCS 5/4-134.

Witness my hand this 19 day of AUGUST 2019.



President Arlington Heights Firefighters' Pension Board

Portfolio Holdings Distribution by Security Type



Security Type	Face Amount/Shares	YTM @ Cost	Cost Value	Days To Maturity	% of Portfolio	Market Value	Book Value	Duration To Maturity
Cash	121,118.86	0.000	121,118.86	1	0.12	121,118.86	121,118.86	0.00
Common Stock	140,793.00		5,149,302.43		4.82	5,056,273.27	5,149,302.43	
Corporate Bond	19,130,946.55	2.863	19,514,407.86	1,425	18.20	19,082,342.13	19,362,976.36	
FHLMC Bond	3,553,019.48	2.510	3,638,238.30	2,225	3.39	3,555,963.69	3,588,282.89	
FNMA Bond	4,899,714.63	2.710	4,951,730.60	3,171	4.60	4,827,037.43	4,942,671.53	
GNMA Bond	202,959.22	4.651	203,729.16	3,076	0.20	210,799.61	203,196.26	
Local Government Investment Pool	0.72	0.000	0.72	1	0.00	0.72	0.72	0.00
Money Market	1,009,107.99	1.967	1,009,107.99	1	0.96	1,009,107.99	1,009,107.99	0.00
Municipal Bond	1,640,000.00	3.252	1,647,532.00	921	1.57	1,650,367.43	1,643,118.09	2.38
Mutual Fund	1,455,670.93		46,862,187.55		58.57	61,412,069.97	46,862,187.55	
Treasury Note	8,095,000.00	2.303	8,022,994.06	1,929	7.56	7,926,271.09	8,019,211.74	4.92
TOTAL / AVERAGE	40,248,331.38	2.690	91,120,349.53	1,768	100	104,851,352.19	90,901,174.42	