
I N T E R

O F F I C E

MEMO

To: Randy Recklaus, Village Manager
From: Tom Kuehne, Finance Director/Treasurer
Date: July 28, 2021
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, 2021. Each report also includes the annual actuarial requirement for the respective 2021 pension levies, which will be accounted for in the Village's budget and financial statements for the 2022 Budget. These reports will also be posted on the Village's website under the Finance Department 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 (81.88% to 84.08%) and the Firefighter's Pension Fund (77.29% to 79.99%). Each fund experienced investment gains for 2020. The annual required contributions for the Police and Fire Pension funds will each reflect a decrease for the upcoming 2021 levy. However, the Village Staff may recommend that the levies be maintained at the prior year level as a hedge against a future market downturn.

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

C: Mark Aleckson, 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 2021 LEVY (2022 BUDGET)**

Source: Actuarial Valuation as of January 1, 2021, MWM Consulting Group

Actuarial value of assets		153,225,630
Total actuarial liability		(\$182,236,547)
Unfunded actuarial liability*		(29,010,917)
Funded ratio		84.08%
Annual actuarial requirement for 2021		<u>\$3,749,954</u>
Village contribution as percent of Police participant payroll		33.60%
Projected employee contributions		\$1,107,469
Employee contribution rate per State Statute		9.91%
Actuarial assumed investment return		6.75%
Actual investment return		12.97%
Assumed investment return for 12 month period ended December 31, 2020		\$9,557,773
Actual Investment return for 12 month period ended December 31, 2020		\$18,366,519
Actuarial investment gain/(loss) smoothed over three years:		
One-third of investment gain/(loss) for 2020	\$2,936,249	
One-third of investment gain/(loss) for 2019	\$5,759,753	
One-third of investment gain/(loss) for 2018	(\$4,848,214)	
Total smoothed actuarial gain/(loss)		\$3,847,788
Number of active members contributing to the Police Pension Fund		102
Number of inactive members		8
Number of members receiving benefits/expense	119/	\$8,876,971

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Total</u>
Vested Active	53	6	59
Non-Vested Active	1	42	43
Terminated - Inactive	5	3	8
Retirees	92	0	92
Surviving Spouses	17	0	17
<u>Disability Participants</u>	10	0	10
Total	178	51	229

*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, 2020, the most recent audited fiscal year-end.

CERTIFICATION:

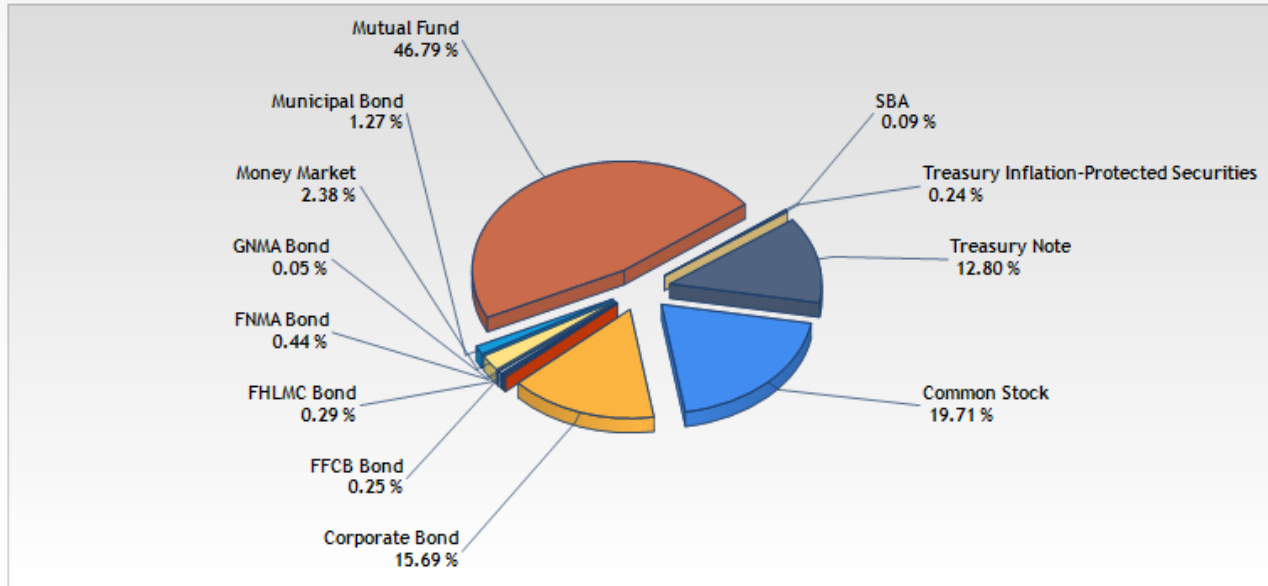
I, THOMAS AEMERSON, President of the Police Pension Board, Village of Arlington Heights, Illinois, do hereby certify that this document is a true and correct copy of: "Required Reporting to Municipality By Pension Board" as outlined in 40 ILCS 5/4-134.

Witness my hand this 29 day of JULY, 2021.

, President
Arlington Heights Police Pension Board

Police Pension Portfolio Holdings Distribution by Security Type

Portfolio Holdings Distribution by Security Type



Security Type	Face Amount/Shares	Cost Value	% of Portfolio	Market Value
Cash	1,991,859.79	1,991,859.79		1,991,859.79
Common Stock	513,335.50	25,197,861.80	19.71	31,696,570.56
Corporate Bond	23,766,888.20	24,136,707.27	15.69	25,239,366.01
FFCB Bond	370,000.00	370,010.00	0.25	406,552.30
FHLMC Bond	418,117.31	433,792.15	0.29	468,261.61
FNMA Bond	649,154.78	651,329.60	0.44	700,437.94
GNMA Bond	81,352.24	81,282.88	0.05	82,553.81
Money Market	3,831,683.07	3,831,683.07	2.38	3,831,683.07
Municipal Bond	1,915,000.00	1,981,337.98	1.27	2,040,323.00
Mutual Fund	513,100.95	57,515,879.21	46.79	75,265,429.76
SBA	136,569.09	137,679.06	0.09	145,987.44
Treasury Inflation-Protected Securities	324,834.30	341,030.07	0.24	381,712.79
Treasury Note	20,056,000.00	20,311,529.29	12.8	20,591,021.47
TOTAL / AVERAGE	54,567,895.23	136,981,982.17	100	162,841,759.55

**ARLINGTON HEIGHTS FIREFIGHTERS' PENSION FUND
ANNUAL REPORT TO THE VILLAGE BOARD
FOR THE 2021 LEVY (2022 BUDGET)**

Source: Actuarial Valuation as of January 1, 2021, MWM Consulting Group

Actuarial value of assets		131,084,082
Total actuarial liability		(\$163,873,563)
Unfunded actuarial liability*		(32,789,481)
Funded actuarial ratio		79.99%
Annual actuarial requirement for 2021		<u>\$4,828,817</u>
Village contribution as percent of Firefighter/Paramedic participant payroll		40.70%
Projected employee contributions		\$1,120,525
Employee contribution rate per State Statute		9.455%
Actuarial assumed investment return		6.75%
Actual investment return		11.20%
Assumed investment return for 12 month period ended December 31, 2020		\$8,248,629
Actual Investment return for 12 month period ended December 31, 2020		\$13,683,719
Actuarial investment gain/(loss) smoothed over three years:		
One-third of investment gain/(loss) for 2020	\$1,811,697	
One-third of investment gain/(loss) for 2019	\$3,151,331	
One-third of investment gain/(loss) for 2018	(\$3,645,187)	
Total smoothed actuarial gain/(loss)		\$1,317,841
Number of active members contributing to the Firefighters' Pension Fund		106
Number of inactive members		3
Number of members receiving benefits/expense	107/	\$7,608,141

	<u>Tier 1</u>	<u>Tier 2</u>	<u>Total</u>
Vested Active	76	7	83
Non-Vested Active	1	22	23
Terminated - Inactive	1	2	3
Retirees	63	0	63
Surviving Spouses	17	0	17
Minor Dependents	2	0	2
<u>Disability Participants</u>	<u>25</u>	<u>0</u>	<u>25</u>
Total	185	31	216

*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, 2020, the most recent audited fiscal year-end.

CERTIFICATION:

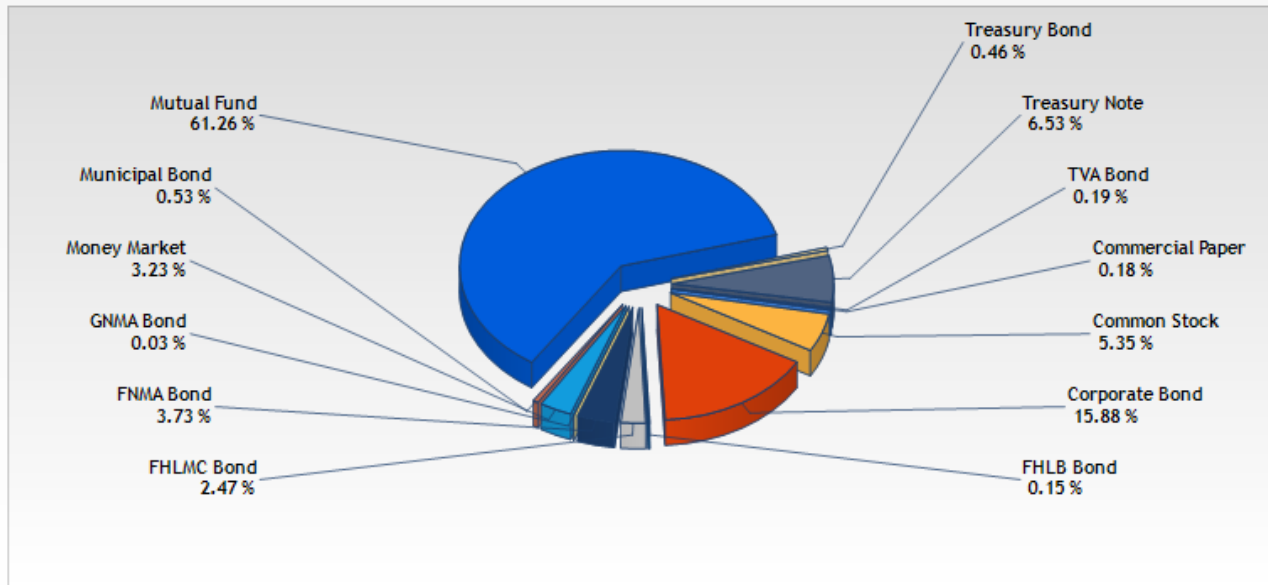
I, Mark D. Aleckson, President of the Firefighters' Pension Board, Village of Arlington Heights, Illinois, do hereby certify that this document is a true and correct copy of: "Required Reporting to Municipality By Pension Board" as outlined in 40 ILCS 5/4-134.

Witness my hand this 30 day of July, 2021.

Mark D. Aleckson, President
Arlington Heights Firefighters' Pension Board

Fire Pension Portfolio Holdings Distribution by Security Type

Portfolio Holdings Distribution by Security Type



Security Type	Face Amount/Shares	Cost Value	% of Portfolio	Market Value
Cash	1,319,311.93	1,319,311.93		1,319,311.93
Commercial Paper	215,000.00	216,786.25	0.18	242,569.45
Common Stock	136,202.00	5,335,586.70	5.35	7,214,202.60
Corporate Bond	19,743,358.25	20,613,170.54	15.88	21,416,273.12
FHLB Bond	170,000.00	190,864.50	0.15	203,299.60
FHLMC Bond	3,107,972.67	3,204,607.90	2.47	3,328,511.36
FNMA Bond	4,782,154.29	4,838,294.15	3.73	5,028,440.98
GNMA Bond	39,664.36	39,566.47	0.03	46,440.35
Local Government Investment Pool	0.72	0.72		0.72
Money Market	4,360,432.06	4,360,432.06	3.23	4,360,432.06
Municipal Bond	685,000.00	698,173.30	0.53	715,732.90
Mutual Fund	1,509,745.28	48,958,964.14	61.26	82,606,511.47
Treasury Bond	630,000.00	621,673.42	0.46	614,250.00
Treasury Note	8,090,000.00	8,169,697.34	6.53	8,806,990.15
TVA Bond	250,000.00	252,555.00	0.19	253,202.50
TOTAL / AVERAGE	45,038,841.56	98,819,684.42	100	136,156,169.19