

VILLAGE OF CARPENTERSVILLE
CARPENTERSVILLE POLICE PENSION FUND

Actuarial Valuation Report

For the Year

Beginning May 1, 2006

And Ending April 30, 2007

Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600

TABLE OF CONTENTS

	<u>Page</u>
Introduction	3
Summary of Results	4
Actuarial Valuation of Assets	6
Asset Changes During Prior Year	7
Normal Cost	8
Accrued Liability	9
Tax Levy Requirement	10
Summary of Plan Participants	11
Duration	12
Projected Pension Payments	12
Summary of Plan Provisions	13
Actuarial Method	14
Actuarial Assumptions	15
GASB Statements No. 25 & 27 Disclosure	16

INTRODUCTION

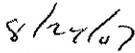
Police-sworn personnel of the Village of Carpentersville are covered by the Police Pension Plan that is a defined-benefit, single-employer pension plan. The purpose of this report is to disclose the Tax Levy Requirement and GASB Statements No. 25 & 27 financial information and related actuarial information for the year beginning May 1, 2006, and ending April 30, 2007.

The valuation results reported herein are based on plan provisions in effect as of May 1, 2006, the employee data furnished by the Village, the financial data provided by the Fund's trustee and the actuarial methods and assumptions described later in this report. I hereby certify that this report is complete and accurate and fairly presents the actuarial position of the Fund as of April 30, 2006, in accordance with generally accepted actuarial principles and procedures. In my opinion, the assumptions used are reasonably related to the experience of the Plan and to reasonable expectations.

Respectfully submitted,



Timothy W. Sharpe, EA, MAAA
Enrolled Actuary No. 05-4384



Date

SUMMARY OF RESULTS

There were no changes with respect to Plan Provisions, Actuarial Methods or Actuarial Assumptions from the prior year. The last actuarial valuation was completed two years ago (2004).

There were no unexpected changes with respect to the participants included in this actuarial valuation (7 new members, 2 terminations, 1 retirement, 0 incidents of disability, 2-year annual payroll increase 24.6%, 2-year average salary increase 19.0%).

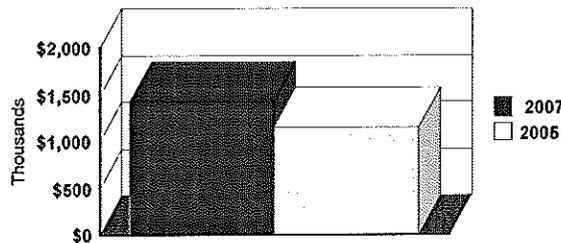
There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 8.32%).

The Village's Tax Levy Requirement has increased from \$1,151,770 (2004) to \$1,440,623 this year (25.1%). The increase in the Tax Levy is due to the increase in salaries was greater than expected. The Percent Funded has decreased slightly from 50.3% (2004) to 49.8% this year.

SUMMARY OF RESULTS (Continued)

	For Year Ending April 30	
	<u>2007</u>	<u>2005</u>
Tax Levy Requirement	\$ 1,440,623	\$ 1,151,770
	as of May 1	
	<u>2006</u>	<u>2004</u>
Village Normal Cost	623,495	528,826
Anticipated Employee Contributions	438,218	351,828
Accrued Liability	32,542,047	26,431,075
Actuarial Value of Assets	16,198,495	13,307,742
Unfunded Accrued Liability/(Surplus)	16,343,552	13,123,333
Amortization of Unfunded Accrued Liability/(Surplus)	722,882	547,595
Percent Funded	49.8%	50.3%
Annual Payroll	\$ 4,421,974	\$ 3,550,228

TAX LEVY REQUIREMENT
as of April 30



ACTUARIAL VALUATION OF ASSETS

		as of May 1	
	<u>2006</u>		<u>2004</u>
Money Market, NOW, IL Fund	\$ 781,644	\$	374,098
Government Securities	8,500,221		8,240,412
Mutual Funds	1,375,166		172,283
Common Stock	5,581,129		4,446,210
Interest Receivable	75,030		98,008
Miscellaneous Receivable/(Payable)	<u>(114,694)</u>		<u>(23,268)</u>
Actuarial Value of Assets	\$ <u>16,198,495</u>	\$	<u>13,307,742</u>

SUMMARY OF ASSETS

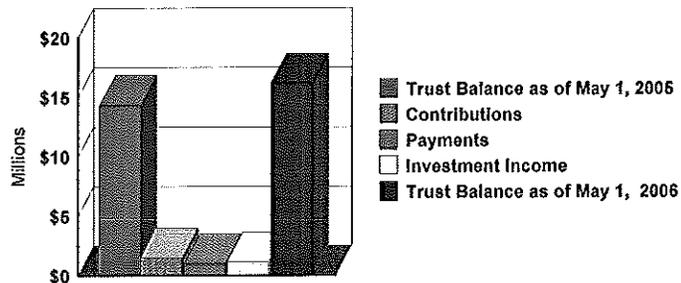
As Of May 1, 2006



ASSET CHANGES DURING PRIOR YEAR

Trust Balance as of May 1, 2005		\$	14,339,760
Contributions			
Village	1,023,059		
Employee	<u>617,620</u>		
Total			1,640,679
Payments			
Benefit Payments	906,267		
Expenses	<u>94,879</u>		
Total			1,001,146
Investment Income			<u>1,219,201</u>
Trust Balance as of May 1, 2006		\$	<u>16,198,495</u>
Approximate Annual Rate of Return			8.32%

ASSET CHANGES DURING PRIOR YEAR

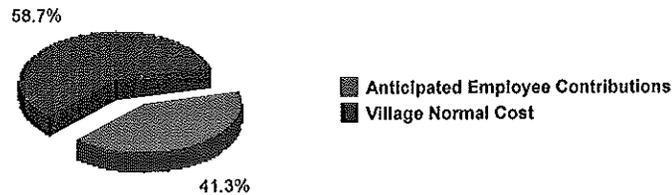


NORMAL COST

The Normal Cost is the actuarial present value of the portion of the projected benefits that are expected to accrue during the year based upon the actuarial valuation method and actuarial assumptions employed in the valuation.

		as of May 1	
		<u>2006</u>	<u>2004</u>
Total Normal Cost	\$	1,061,713	\$ 880,654
Anticipated Employee Contributions		<u>438,218</u>	<u>351,828</u>
Village Normal Cost		<u>623,495</u>	<u>528,826</u>
Normal Cost Payroll	\$	4,421,974	\$ 3,550,228
Village Normal Cost Rate		14.10%	14.90%
Total Normal Cost Rate		24.01%	24.81%

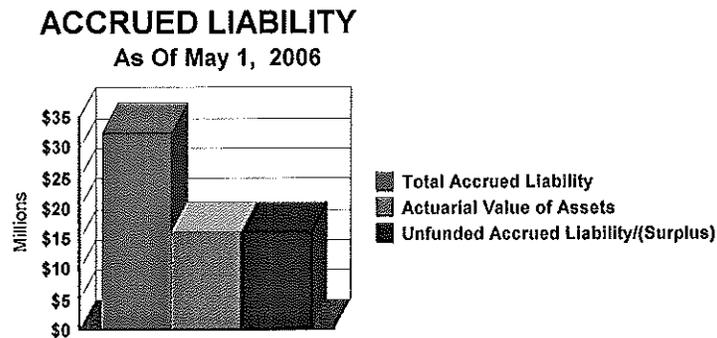
NORMAL COST As Of May 1, 2006



ACCRUED LIABILITY

The Accrued Liability is the actuarial present value of the portion of the projected benefits that has been accrued as of the valuation date based upon the actuarial valuation method and actuarial assumptions employed in the valuation. The Unfunded Accrued Liability is the excess of the Accrued Liability over the Actuarial Value of Assets.

	as of May 1	
	<u>2006</u>	<u>2004</u>
Accrued Liability		
Active Employees	\$ 18,852,558	\$ 13,986,771
Children Annuities	0	0
Disability Annuities	2,465,617	2,888,351
Retirement Annuities	10,198,844	8,836,009
Surviving Spouse Annuities	325,517	123,269
Terminated Vested Annuities	<u>699,511</u>	<u>596,675</u>
Total Annuities	13,689,489	12,444,304
Total Accrued Liability	32,542,047	26,431,075
Actuarial Value of Assets	<u>16,198,495</u>	<u>13,307,742</u>
Unfunded Accrued Liability/(Surplus)	\$ <u>16,343,552</u>	\$ <u>13,123,333</u>
Percent Funded	49.8%	50.3%



TAX LEVY REQUIREMENT

The Tax Levy Requirement is determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the unfunded accrued liability as a level percentage of payroll over a forty (40) year period which commenced in 1993, plus an adjustment for interest.

	For Year Ending April 30	
	<u>2007</u>	<u>2005</u>
Village Normal Cost as of Beginning of Year	\$ 623,495	\$ 528,826
Amortization of Unfunded Accrued Liability/(Surplus)	722,882	547,595
Interest for One Year	<u>94,246</u>	<u>75,349</u>
Tax Levy Requirement as of End of Year	\$ <u>1,440,623</u>	\$ <u>1,151,770</u>

TAX LEVY REQUIREMENT

For Fiscal Year Ending April 30, 2007



SUMMARY OF PLAN PARTICIPANTS

The actuarial valuation of the Plan is based upon the employee data furnished by the Village.
 The information provided for Active participants included:

- Name
- Sex
- Date of Birth
- Date of Hire
- Compensation
- Employee Contributions

The information provided for Inactive participants included:

- Name
- Sex
- Date of Birth
- Date of Pension Commencement
- Monthly Pension Benefit
- Form of Payment

Membership	<u>2006</u>	<u>2006</u>	<u>2004</u>	<u>2004</u>
Current Employees				
Vested	34		30	
Nonvested	<u>30</u>		<u>30</u>	
Total	<u>64</u>		<u>60</u>	
 Inactive Participants		<u>Annual Benefits</u>		<u>Annual Benefits</u>
Children	0 \$	0	0 \$	0
Disabled Employees	6	133,598	7	164,544
Retired Employees	19	744,763	18	658,889
Surviving Spouses	2	43,748	1	13,831
Terminated Vesteds	<u>2</u>	<u>51,095</u>	<u>2</u>	<u>44,592</u>
Total	<u>29</u>	<u>973,204</u>	<u>28</u>	<u>881,856</u>
 Annual Payroll	\$	4,421,974	\$	3,550,228

SUMMARY OF PLAN PARTICIPANTS (Continued)

Age and Service Distribution

Service Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Salary
20-24	3							3	56,261
25-29	5							5	63,177
30-34	9	7						16	64,127
35-39	2	5	6	5				18	68,661
40-44		4	1	3	1			9	72,127
45-49			2	1	1	1		5	78,829
50-54				1	2	2		5	79,650
55-59						2	1	3	77,940
Total	<u>19</u>	<u>16</u>	<u>9</u>	<u>10</u>	<u>4</u>	<u>5</u>	<u>1</u>	<u>64</u>	<u>69,093</u>
Salary	61,448	66,462	68,398	77,151	85,190	75,318	86,629		

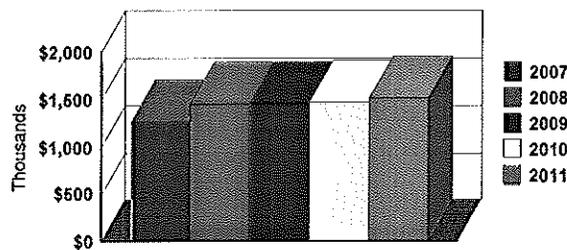
Average Age: 38.2 Average Service: 10.8

DURATION (years) Active Members: 16.1 Retired Members: 9.7 All Members: 13.4

PROJECTED PENSION PAYMENTS

<u>2007</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>
\$1,273,388	\$1,456,585	\$1,467,240	\$1,484,230	\$1,525,851

PROJECTED PENSION PAYMENTS
2007-2011



SUMMARY OF PLAN PROVISIONS

The Plan Provisions have not been changed from the prior year.

The Village of Carpentersville Police Pension Fund was created and is administered as prescribed by "Article 3. Police Pension Fund - Municipalities 500,000 and Under" of the Illinois Pension Code (Illinois Compiled Statutes, 1992, Chapter 40). A brief summary of the plan provisions is provided below.

Employees attaining the age of (50) or more with (20) or more years of creditable service are entitled to receive an annual retirement benefit of (2.5%) of final salary for each year of service up to (30) years, to a maximum of (75%) of such salary.

Employees with at least (8) years but less than (20) years of credited service may retire at or after age (60) and receive a reduced benefit of (2.5%) of final salary for each year of service.

Surviving spouses receive the greater of (50%) of final salary or the employee's retirement benefit.

Employees disabled in the line of duty receive (65%) of final salary.

The monthly pension of a covered employee who retired with (20) or more years of service after January 1, 1977, shall be increased annually, following the first anniversary date of retirement and be paid upon reaching the age of at least (55) years, by (3%) of the originally granted pension. Beginning with increases granted on or after July 1, 1993, the second and subsequent automatic annual increases shall be calculated as (3%) of the amount of the pension payable at the time of the increase.

Employees are required to contribute (9.91%) of their base salary to the Police Pension Plan. If an employee leaves covered employment with less than (20) years of service, accumulated employee contributions may be refunded without accumulated interest.

ACTUARIAL ASSUMPTIONS

The Actuarial Assumptions used for determining the Tax Levy Requirement and GASB Statements No. 25 & 27 Disclosure Information are the same and have not been changed from the prior year. The Actuarial Assumptions employed for this valuation are as follows:

Valuation Date	May 1, 2006
Asset Valuation Method	Market Value
Investment Return	7.00%
Salary Scale	5.50%
Mortality	1971 Group Annuity Mortality Table
Withdrawal	State of Illinois DOI Experience Rates
Disability	State of Illinois DOI Experience Rates
Retirement	State of Illinois DOI Experience Rates (100% by Age 69)
Marital Status	80% Married, Spouse Same Age
Plan Expenses	None

Sample Annual Rates Per 100 Participants

<u>Age</u>	<u>Mortality</u>	<u>Withdrawal</u>	<u>Disability</u>	<u>Retirement</u>
20	0.05	6.00	0.07	
30	0.08	5.10	0.10	
40	0.16	2.85	0.20	
50	0.53		0.52	40.00
60	1.31		0.60	52.63
69	3.24			100.00

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION

The Governmental Accounting Standards Board (GASB) issued Statements No. 25 & 27 that established generally accepted accounting principles for the annual financial statements for defined benefit pension plans. The required information is as follows:

Membership in the plan consisted of the following as of:

	<u>April 30, 2006</u>	<u>April 30, 2004</u>
Retirees and beneficiaries receiving benefits	27	26
Terminated plan members entitled to but not yet receiving benefits	2	2
Active vested plan members	34	30
Active nonvested plan members	<u>30</u>	<u>30</u>
Total	<u>93</u>	<u>88</u>
Number of participating employers	1	1

SCHEDULE OF FUNDING PROGRESS

Actuarial Valuation Date	Actuarial Value of Assets (a)	Actuarial Accrued Liability (AAL) -Entry Age (b)	Unfunded AAL (UAAL) (b-a)	Funded Ratio (a/b)	Covered Payroll (c)	UAAL as a Percentage of Covered Payroll ((b-a)/c)
04/30/03	12,588,770	24,946,625	12,357,855	50.5%	3,370,768	366.6%
04/30/04	13,307,742	26,431,075	13,123,333	50.3%	3,550,228	369.6%
04/30/06	16,198,495	32,542,047	16,343,552	49.8%	4,421,974	369.6%

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	<u>April 30, 2006</u>	<u>April 30, 2004</u>
Annual required contribution	1,151,770	812,455
Interest on net pension obligation	82,181	79,841
Adjustment to annual required contribution	<u>(51,121)</u>	<u>(46,968)</u>
Annual pension cost	1,182,830	845,328
Contributions made	<u>1,023,059</u>	<u>811,902</u>
Increase (decrease) in net pension obligation	159,771	33,426
Net pension obligation beginning of year	<u>1,174,008</u>	<u>1,140,582</u>
Net pension obligation end of year	<u>1,333,779</u>	<u>1,174,008</u>

THREE-YEAR TREND INFORMATION

<u>Fiscal Year Ending</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
04/30/03	822,289	0.0%	1,140,582
04/30/04	845,328	96.0%	1,174,008
04/30/06	1,182,830	86.5%	1,333,779

GASB STATEMENTS NO. 25 & 27 DISCLOSURE INFORMATION (Continued)

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:

Village	23.14%	22.87%
Plan members	9.91%	Same

Annual pension cost	1,182,830	845,328
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Contributions made	1,023,059	811,902
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Actuarial valuation date	04/30/2006	04/30/2004
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Actuarial cost method	Entry age	same
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Amortization period	Level percentage of pay, closed	same
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Remaining amortization period	27 years	28 years
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Asset valuation method	Market	same
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Actuarial assumptions:

Investment rate of return*	7.00%	same
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Projected salary increases*	5.50%	same
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*Includes inflation at	3.00%	same
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Cost-of-living adjustments	3.00% per year	same
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