Staff Responses to Council Questions
July 10, 2018

Item 6. J - Village Hall Roof Removed from Consent Agenda: *At the request of Commissioner Hose,* ***J. Motion: Authorize $33,080.00 to E. Ariel Roofing Solutions, Cary, IL, for Roof Coating at Village Hall, 801 Burlington Avenue*** *has been removed from the Consent Agenda.*

6. Consent Agenda
C. Resolution: Amend the Cash Management and Investment Policy
Please indicate what role each of the agencies currently listed in the Policy plays (investor, advisor, etc.), the amount of money each agency is managing and what financial instruments or investments are being used.
Harris Bank Provides third-party independent safekeeping of most of the Village's securities. They hold investments brokered through other financial institutions as recommended by the Government Finance Officers Association (GFOA). These include CDs, Municipal Bonds and US Treasury Securities. As of May 31, the Village had $45,381,002 in cash and investments, $30,083,775 of which was held in custody by Harris under management by Village staff. MB Financial is the Village's operating bank, where $5,995,217 is held both in compensating balances and interest bearing accounts. The Village has Money Market accounts at Associated Bank ($3,226,270) and Illinois Funds ($3,998,875), and CDs at PMA ($2,076,865). The remainder of the institutions serve as broker dealers for the Village's investment program: Wintrust, US Bank, Fifth Third Bank, First Empire Securities, and Raymond James. They do not hold any Village investments.

Please explain the 0.25% fee - is this an industry standard rate? How is the fee calculated? What does "cost basis" mean?
The .25% advisory fee in the PFM agreement is a not to exceed fee that covers the costs of the bidding process and the costs to place the investment. It is within industry standards. Their current rate is .15%, and has been for the last 10 years. It is an annualized fee and is calculated by multiplying the fee times the principal amount of the CD. Cost refers to the principal amount of the CD.

12. Manager's Report – Committee Room
INF 2018-7778: A. Information: Update to the 2017-2019 Long Range Plan
Please define the full range of post-employment benefits to be provided. Is the contemplated trust fund intended as a bridge to Medicare, supplement for Medicare, or alternative to

/replacement for Medicare? Is this in addition to or a replacement for the fully insured Medicare supplement referred to in the report?
Retirees are required by State law to have access to the Village's medical insurance. Dental, optical, and life insurance are not included. Pre-medicare retirees have the same coverage as active employees. Once a retiree reaches medicare age, medicare becomes their primary insurance, and they may purchase a fully insured medicare supplement through the Village.

The trust fund is a mechanism to accumulate dollars at an interest rate that is higher than can be achieved under the Village's investment policy. The intent is for the Village to use those dollars to pay for the post-employment benefits. It is not intended as a replacement for medicare.

Who are the actuary and investment consultant? Can we have a copy of the actuarial study regarding the liability?
The Village's actuary is Lauterbach & Amen. The actuarial study is attached. The Village is not currently using an investment consultant.

To what companies do you anticipate sending the RFP for consulting services?
Staff plans to send the consulting services RFP to ICMA, Genesys, Nationwide, IPPFA Benefits and PFM Asset Management, as well as posting it on the Village website.

Will the consultant, Enza, or an outside firm prepare the OPEB Trust document?
Currently, staff anticipates that the Village Attorney will draft the trust document with assistance from the consultant.

How is the current OPEB fund invested? What are the range of restrictions that can be placed on the OPEB Trust investments? Does state law create any such restrictions?
The current OPEB funds will be invested in a money market fund. The OPEB Trust investments will be invested in accordance with the OPEB Trust investment policy. This policy will be developed with the assistance of the consultant and actuary, and approved by the Village Council.

Does the Village control the OPEB Trust or are other entities involved in governing the Trust?
The Village will control the OPEB Trust.

Attachments
Lauterbach & Amen Actuarial study

Lauterbach & Amen, LLP
668 N. River Road
Naperville, IL 60563

Actuarial Valuation
as of January 1, 2017

VILLAGE OF DOWNERS GROVE, ILLINOIS POSTRETIREMENT HEALTH PLAN

For Fiscal Year-End December 31, 2017 Reporting

LAUTERBACH & AMEN, LLP

Lauterbach & Amen, LLP

CERTIFIED PUBLIC ACCOUNTANTS

VILLAGE OF DOWNERS GROVE, ILLINOIS
POSTRETIREMENT HEALTH PLAN

Actuarial Valuation Date: January 1, 2017
For Fiscal Year-End December 31, 2017 Reporting

Submitted by:

Lauterbach & Amen, LLP
630.393.1483 Phone
www.lauterbachamen.com

Contact:

Todd A. Schroeder
May 31, 2018

LAUTERBACH & AMEN, LLP

TABLE OF CONTENTS

Lauterbach & Amen, LLP
CERTIFIED PUBLIC ACCOUNTANTS
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PHONE 630.393.1483 • FAX 630.393.2516
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DISCLOSURES AND LIMITATIONS

This report documents the results of the Actuarial valuation of the Village of Downers Grove, Illinois Postretirement Health Plan. The purpose is to report the financial statement entries for the Annual Financial Report. Determinations for purposes other than reporting for the financial statements may be significantly different from the results herein.

The results in this report are based on information and data submitted by the Village of Downers Grove, Illinois including studies performed by prior actuaries. We did not prepare the actuarial valuations for the years prior to January 1, 2013. Those Valuations were prepared by other actuaries whose reports have been furnished to us, and our disclosures are based upon those reports. An audit of the information was not performed, but high-level reviews were performed for general reasonableness, as appropriate, based on the purpose of the valuation. The accuracy of the results is dependent upon the accuracy and completeness of the underlying information. The results of the actuarial valuation and these supplemental disclosures rely on the information provided.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The Village of Downers Grove, Illinois selected certain assumptions, while others were the result of guidance and/or judgment. We believe that the assumptions used in this valuation are reasonable and appropriate for the purposes for which they have been used.

To the best of our knowledge, all calculations are in accordance with the applicable funding requirements, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices. There is no relationship between the Village of Downers Grove, Illinois and Lauterbach & Amen, LLP that impairs our objectivity.

The information contained in this report was prepared for the use of the Village of Downers Grove, Illinois in connection with our actuarial valuation. It is not intended or necessarily suitable for other purposes. It is intended to be used in its entirety to avoid misrepresentations.

Respectfully Submitted,

LAUTERBACH & AMEN, LLP

Todd A. Schroeder

Todd A. Schroeder, EA

MANAGEMENT SUMMARY

Summary of Actuarial Valuation
Notes to the Financial Statements
Comments and Analysis

SUMMARY OF ACTUARIAL VALUATION

This report details the data, assumptions, and underlying methodology used in the GASB 45 actuarial valuation as of January 1, 2017. The following exhibit illustrates the Actuarial Accrued Liability ("AAL"), Annual Required Contribution ("ARC"), Annual OPEB Cost, and Net OPEB Obligation.

	As of Actuarial Valuation Date 1/1/2017
Actuarial Accrued Liability (AAL)	
Actives Fully Eligible	$910,140
Actives Not Yet Fully Eligible	2,337,872
Retirees and Dependents	9,057,566
TOTAL AAL	**$12,305,578**

	Fiscal Year 2017
Annual Required Contribution (ARC), Annual OPEB Cost and Net OPEB Obligation	
Annual Required Contribution (ARC)	**$638,652**
Annual OPEB Cost	**$652,163**
Net OPEB Obligation/(Asset) - End of the Year	**$8,175,065**

Refer to the "GASB Terminology" section of this report for definitions of the GASB 45 terminology.

The Net OPEB Obligation ("NOO") at the end of the year is based on expected benefit payments of $583,655 for retiree medical coverage by the Village for the period 1/1/2017 through 12/31/2017. A portion of this amount is based on the cost sharing provisions. In addition, a portion is related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums. To the extent that actual payments paid through the end of the fiscal year are different, the NOO may change.

The NOO is based on the starting NOO for Fiscal Year 2017 of $8,106,557, as disclosed in the Village's December 31, 2016 Interim OPEB Report. If the starting NOO is different, the results for December 31, 2017 may change.

COMMENTS AND ANALYSIS

Expected Increase in Actuarial Liability

Each year the actuarial accrued liability is expected to increase with interest and as active plan members accrue additional service. The increases are partially offset by decreases in liability due to benefit payments. The expected liability increase for the current year was approximately $452,000.

In addition to the expected increases in liability, additional changes in liability occurred between the prior valuation and the current year. Below are the key components of those changes.

Census

The current valuation census contains 339 active participants and 114 inactive participants. The previous valuation census contained 358 active participants and 101 inactive participants. The smaller active population resulted in a decrease in the actuarial liability whereas the larger inactive population resulted in an increase in the actuarial liability. The net effect of population changes was a decrease in the actuarial liability in the current year of approximately $106,000.

Village Costs

Implicit Village costs for retiree coverage are predicated on costs being higher for retirees than the blended premium charged to active and retired members. We have recalculated the gross costs on an age-specific basis based on the most recent claims and experience data for the Village plans. We have evaluated claims separately for the BC/BS PPO $2500 Deductible and Humana Medicare PPO in the current year. The updated costs resulted in a decrease in the actuarial liability in the current year of approximately $1,302,000.

Assumptions

We have revised the expected increases in pre-Medicare Medical costs to 0.00% in the first year of the projection, based on known information, and 6.50% in the second year of projection. Long-term, ultimate increases in medical costs have been lowered to 5.00%.

We have revised the expected increases in post-Medicare Medical costs to 0.00% in the first year of the projection, based on known information, and 5.00% in the second year of the projection. Long-term, ultimate increases in medical costs have been lowered to 5.00%.

The percent of active employees assumed to continue the participation from the active medical plan into the retiree medical plan upon retirement has been increased from 25% to 50%, based on the current census information.

The expected rate of return on Village assets has been lowered from 4.00% to 3.50% to better reflect the current high quality fixed income environment.

COMMENTS AND ANALYSIS - CONTINUED

Assumptions – Continued

The expected rate of compensation increase has been lowered from 4.00% to 3.50% to better reflect future anticipated experience.

Based on observation within the current retiree population, we have assumed that coverage will continue for ages 65 and beyond for some participants. For retirees who are receiving a portion of their premium paid by the Village, the percent expected to lapse all coverages at age 65 has been lowered from 50% to 0%.

The changes in the assumptions were made to better reflect the future anticipated experience in the Plan. The changes in the assumptions resulted in a net increase in the actuarial liability in the current year of approximately $988,000.

NOTES TO THE FINANCIAL STATEMENTS

	Fiscal Year 2017
Annual OPEB Cost and Net OPEB Obligation	
Annual Required Contribution	$638,652
Interest on Net OPEB Obligation	283,729
Adjustment to Annual Required Contribution	(270,219)
Annual OPEB Cost	$652,163
Estimated Employer Contributions (Payments)	(583,655)
Change in Net OPEB Obligation	$68,508
Net OPEB Obligation/(Asset) – Beginning of the Year	8,106,557
Net OPEB Obligation/(Asset) – End of the Year	$8,175,065
Annual OPEB Cost	$652,163
Percentage of Annual OPEB Cost Contributed	89%
Net OPEB Obligation/(Asset) – End of the Year	$8,175,065
Funded Status	
Actuarial Accrued Liability (AAL)	$12,305,578
Actuarial Value of Assets	0
Unfunded Actuarial Accrued Liability (UAAL)	$12,305,578
Funded Ratio (Assets as a Percentage of AAL)	0%
Annual Covered Payroll	$29,426,850
UAAL as a Percentage of Covered Payroll	42%
Actuarial Methods and Assumptions	
Measurement Date	December 31, 2017
Investment Rate of Return	
Expected Return on Plan Assets	Not Applicable
Expected Return on Employer's Assets	3.50%
Rate of Compensation Increase	3.50%

NOTES TO THE FINANCIAL STATEMENTS - CONTINUED

Assumed Health Care Trend Rates	
Pre-65 BC/BS:	
Initial Health Care Cost Trend Rate	0.00%
Second Year Health Care Cost Trend Rate	6.50%
Ultimate Health Care Cost Trend Rate	5.00%
Fiscal Year the Ultimate Rate is Reached	FY 2024
Post-65 Humana:	
Initial Health Care Cost Trend Rate	0.00%
Second Year Health Care Cost Trend Rate	5.00%
Ultimate Health Care Cost Trend Rate	5.00%
Fiscal Year the Ultimate Rate is Reached	FY 2018
Additional Information	
Actuarial Cost Method	Entry Age Normal
Amortization Method	Level Percent of Pay
Amortization Period (Years)	30
Method Used To Determine Actuarial Value of Assets	Not Applicable

Trend information shown is for Village Medical Plan coverage.

ANNUAL REQUIRED CONTRIBUTION AND BALANCE SHEET DETAIL

Annual Required Contribution ("ARC") Development
Balance Sheet Item and Expense Development
Actuarial Numbers by Group
Expected Benefit Payments

ANNUAL REQUIRED CONTRIBUTION AND BALANCE SHEET DETAIL

ANNUAL REQUIRED CONTRIBUTION ("ARC") DEVELOPMENT

Calculation of Normal Cost Component

a. Normal Cost	$220,741
b. Interest on Normal Cost	7,726
c. Normal Cost Component [a. + b.]	$228,467

Calculation of Amortization Component

d. Actuarial Accrued Liability (AAL)	$12,305,578
e. Actuarial Value of Assets	0
f. Unfunded Actuarial Accrued Liability (UAAL) [d. - e.]	$12,305,578
g. Amortization Period (Years)	30
h. Investment Rate of Return	3.50%
i. Amortization Factor	30.0000
j. Annual Amortization	410,186
k. Interest on Amortization Payment	0
l. Amortization Component [j. + k.]	$410,186

Calculation of ARC

Normal Cost Component	$228,467
Amortization Component	410,186
Annual Required Contribution	$638,652

ANNUAL REQUIRED CONTRIBUTION AND BALANCE SHEET DETAIL

BALANCE SHEET ITEM AND EXPENSE DEVELOPMENT

Calculation of Annual OPEB Cost

Annual Required Contribution (ARC)	$638,652
Interest on Net OPEB Obligation	283,729
Adjustment to Annual Required Contribution	(270,219)
Annual OPEB Cost	$652,163

Calculation of Net OPEB Obligation

Net OPEB Obligation/(Asset) – Beginning of the Year	$8,106,557
Annual OPEB Cost	652,163
Estimated Employer Contributions (Payments)	(583,655)
Net OPEB Obligation/(Asset) – End of the Year	$8,175,065

Refer to the "GASB Terminology" section of this report for definitions of the GASB 45 terminology.

The Net OPEB Obligation ("NOO") at the end of the year is based on expected benefit payments of $583,655 for retiree medical coverage by the Village for the period 1/1/2017 through 12/31/2017. A portion of this amount is based on the cost sharing provisions. In addition, a portion is related to the increase in active premiums due to the presence of retirees in the determination of blended retiree/active premiums. To the extent that actual payments paid through the end of the fiscal year are different, the NOO will change.

The NOO is based on the starting NOO for Fiscal Year 2017 of $8,106,557, as disclosed in the Village's December 31, 2016 Interim OPEB Report. If the starting NOO is different, the results for December 31, 2017 will change

ANNUAL REQUIRED CONTRIBUTION AND BALANCE SHEET DETAIL

ACTUARIAL NUMBERS BY GROUP

Division	Fire	Police	IMRF	Library	Park District	Total
Active Liability	742,068	1,106,505	1,063,373	86,315	249,751	3,248,012
Retired Liability	4,966,663	1,526,257	2,206,462	188,120	170,065	9,057,566
Total Liability	5,708,731	2,632,761	3,269,835	274,434	419,817	12,305,578
Normal Cost	68,635	59,565	62,912	10,980	26,375	228,467
Amortization Component	190,291	87,759	108,995	9,148	13,994	410,186
ARC	258,926	147,324	171,907	20,127	40,369	638,652
Interest on Net OPEB	72,236	72,738	121,117	6,794	10,845	283,729
Adjustment to ARC	(68,796)	(69,274)	(115,349)	(6,471)	(10,328)	(270,219)
Annual OPEB Cost	262,365	150,787	177,674	20,451	40,886	652,163
Expected Payments	286,782	115,018	128,251	23,515	30,089	583,655
Change in Net OPEB	(24,417)	35,769	49,423	(3,065)	10,797	68,508
Fiscal 2016 NOO	2,063,880	2,078,221	3,460,482	194,127	309,847	8,106,557
Fiscal 2017 NOO	2,039,463	2,113,990	3,509,905	191,062	320,644	8,175,065
Actives	79	79	114	25	42	339
Retirees	42	28	36	3	5	114
Total Participants	121	107	150	28	47	453

ANNUAL REQUIRED CONTRIBUTION AND BALANCE SHEET DETAIL

EXPECTED BENEFIT PAYMENTS

Below are the expected benefit payments for the next 10 years for retiree medical benefits.

Fiscal Year	Estimated Benefit Payments
2017	583,655
2018	631,647
2019	651,981
2020	714,931
2021	718,113
2022	752,283
2023	780,017
2024	771,717
2025	802,874
2026	814,043
2027	792,109

Please note that expected benefit payments are shown for disclosure and financial statement reporting purposes only. They are not intended to be a cash flow projection to be used for budgeting or other purposes. The payments are based on the closed group of active and inactive members of the retiree medical plan.

A portion of the expected benefit payments may represent cash payments for retiree health premiums. Another portion is due to the implicit costs that exist when retirees are allowed to stay on group health coverage with active employees. These implicit costs are also part of the liability and required to be reported under GASB Statement 45.

PARTICIPANT DATA

Counts and Statistics

COUNTS AND STATISTICS

	Fiscal Year 2017
Census Date	December 31, 2017
Participants	
Actives Fully Eligible to Retire	69
Actives Not Yet Fully Eligible to Retire	270
Retirees and Dependents	114
TOTAL	**453**
Average Ages	
Actives Fully Eligible to Retire	57.7
Actives Not Yet Fully Eligible to Retire	39.1
Retirees and Dependents	66.2
Average Service	
Actives Fully Eligible to Retire	23.0
Actives Not Yet Fully Eligible to Retire	9.0

VALUATION PROCEDURES

Actuarial Methods
Actuarial Assumptions
Summary of Eligibility and Coverage
Development of Starting Claims Costs

ACTUARIAL METHODS

Measurement Date	12/31/2017
Data Collection Date	12/31/2017
Participant Data	Employee and Retiree data was supplied by the plan sponsor as of the census date. Data on persons receiving benefits was supplied by the plan sponsor.
Actuarial Cost Method	Entry Age Normal (Level Percent of Pay)
Asset Valuation Method	Not Applicable
Benefits Not Included	Dental and Vision

Nature of Actuarial Calculations

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain plan provisions may be approximated or deemed immaterial, and, therefore, are not valued. Assumptions may be made about participant data or other factors. Reasonable efforts were made in this valuation to ensure that significant items in the context of the actuarial liabilities or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used in the calculations. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

A range of results different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.

ACTUARIAL ASSUMPTIONS

Discount Rate	3.50%		
Salary Increase Rate	3.50%		
Expected Rate of Return on Trust Assets	Not Applicable		
		Pre-65	Post-65
Health Care Trend	Period	BC/BS	Humana
(FY = Fiscal Year)	FY 17 to FY 18	0.00%	0.00%
	FY 18 to FY 19	6.50%	5.00%
	FY 19 to FY 20	6.50%	5.00%
	FY 20 to FY 21	6.00%	5.00%
	FY 21 to FY 22	6.00%	5.00%
	FY 22 to FY 23	5.50%	5.00%
	FY 23 to FY 24	5.50%	5.00%
	FY 24 to FY 25	5.00%	5.00%
	Ultimate	5.00%	5.00%
Retiree Contribution Trend	Same as Health Care Trend		

ACTUARIAL ASSUMPTIONS – CONTINUED

Retirement Rates

100% of the L&A Assumption Study for Firefighters 2016 Cap Age 65. Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.0679	53	0.1115
51	0.0801	54	0.1315
52	0.0945	55	0.1552

100% of the L&A Assumption Study for Police 2016 Cap Age 65. Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.1166	53	0.1389
51	0.1236	54	0.1472
52	0.1310	55	0.1560

IMRF Rates for IMRF.

Withdrawal Rates

100% of the L&A Assumption Study for Firefighters 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0455	40	0.0105
30	0.0344	45	0.0025
35	0.0218	50	0.0000

ACTUARIAL ASSUMPTIONS – CONTINUED

Withdrawal Rates - Continued

100% of the L&A Assumption Study for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0406	40	0.0269
30	0.0389	45	0.0136
35	0.0361	50	0.0031

IMRF Rates for IMRF.

Disability Rates

100% of the L&A Assumption Study for Firefighters 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0001	40	0.0030
30	0.0003	45	0.0055
35	0.0013	50	0.0092

100% of the L&A Assumption Study for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0005	40	0.0028
30	0.0010	45	0.0043
35	0.0018	50	0.0064

IMRF Rates for IMRF.

ACTUARIAL ASSUMPTIONS – CONTINUED

Mortality Rates

L&A Assumption Study for Firefighters 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0005	40	0.0007
30	0.0005	45	0.0011
35	0.0006	50	0.0019

L&A Assumption Study for Police 2016. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.0005	40	0.0007
30	0.0005	45	0.0011
35	0.0006	50	0.0019

IMRF Rates for IMRF.

ACTUARIAL ASSUMPTIONS – CONTINUED

Claims See accompanying tables for sample BC/BS PPO and Humana PPO claims data.

BC/BS PPO $2500 Deductible				
	Retiree		**Spouse**	
Age	Male	Female	Male	Female
50	$7,280	$8,711	$12,530	$12,667
55	$9,241	$9,931	$12,512	$12,028
60	$11,565	$11,951	$13,272	$12,693
64	$13,685	$14,300	$14,350	$14,642
65	N/A	N/A	N/A	N/A
70	N/A	N/A	N/A	N/A
75	N/A	N/A	N/A	N/A
80	N/A	N/A	N/A	N/A
85	N/A	N/A	N/A	N/A
89+	N/A	N/A	N/A	N/A

Humana Medicare PPO				
	Retiree		**Spouse**	
Age	Male	Female	Male	Female
50	N/A	N/A	N/A	N/A
55	N/A	N/A	N/A	N/A
60	N/A	N/A	N/A	N/A
64	N/A	N/A	N/A	N/A
65	$3,724	$3,891	$3,905	$3,984
70	$4,451	$4,651	$4,668	$4,762
75	$4,833	$5,050	$5,048	$5,171
80	$5,181	$5,414	$5,396	$5,543
85	$5,418	$5,662	$5,634	$5,797
89+	$5,528	$5,776	$5,743	$5,914

ACTUARIAL ASSUMPTIONS – CONTINUED

Election at Retirement Coverage election at retirement is assumed at the following rates:

Firefighter	40%
Police	40%
IMRF	40%
Library	40%
Park District	40%

Participation

40% of active employees are assumed to continue the participation from the active medical plan into the retiree medical plan upon retirement. If an employee has waived active medical coverage they are assumed not to participate in the retiree medical plan.

Spousal Coverage

50% of employees are assumed to elect medical coverage for spouses in retirement.

Retiree Lapse Rate

100% of retirees who are receiving medical coverage and pay for the full cost of coverage are expected to lapse all coverages at age 65. 0% of retirees who are receiving medical coverage and receive a portion of medical coverage paid by the Village are expected to lapse all coverages at age 65.

SUMMARY OF ELIGIBILITY AND COVERAGE

Eligibility Provisions

Full-Time Employees- IMRF

Tier I IMRF Full-Time Village employees age 55 with at least 8 years of service are covered

Tier II IMRF Full-Time Village employees age 62 with at least 10 years of service are covered

Full-Time Employees- Police

Tier I Full-Time Police Officers, at least 50 years old with at least 20 years of service are covered

Tier II Full-Time Police Officers, at least 55 years old with at least 10 years of service are covered

Full-Time Employees- Fire

Tier I Full-Time Firefighters, at least 50 years old with at least 20 years of service are covered

Tier II Full-Time Firefighters, at least 55 years old with at least 10 years of service are covered

Medical Coverage

Types of Coverage:

BC/BS Medical $1,500 Deductible Plan – *Not Available to Retirees*

BC/BS Medical $2,500 Deductible Plan with VEBA

Humana PPO – *Medicare Plan*

Coverage Provisions:

Retired Employees- IMRF, Police, and Fire

Pre-65 Coverage:

Retiree pays the full cost of coverage.

Coverage for Retiree continues until **Retiree** is Medicare eligible.

Dependent/Spousal coverage continues until **Dependent/Spouse** turns 65 or becomes Medicare eligible.

Post-65 Coverage:

Village pays 50% of the cost of coverage for Retirees who retired prior to September 1, 2009, including the cost for any Dependent/Spousal coverage.

Retiree pays the full cost of coverage if retired after September 1, 2009.

Coverage is secondary to Medicare.

SUMMARY OF ELIGIBILITY AND COVERAGE - CONTINUED

Coverage Provisions – Continued:

PSEBA

Pre-65 Coverage:

Village pays for the full cost of coverage for the Retiree, including the cost for any Dependent/Spousal coverage.

Coverage for retiree continues until **Retiree** is Medicare eligible.

Dependent/Spousal coverage continues until **Dependent/Spouse** turns 65 or becomes Medicare eligible. However, the Dependent/Spouse must pay for the cost of coverage once the Retiree is Medicare eligible – unless part of the group of Retirees who retired prior to September 1, 2009 where the Village pays 50% of the cost of coverage.

Post-65 Coverage:

Village pays 50% of the cost of coverage for Retirees who retired prior to September 1, 2009, including the cost for any Dependent/Spousal coverage.

Retiree pays the full cost of coverage if retired after September 1, 2009.

Coverage is secondary to Medicare.

Dental and Vision Coverage

Types of Coverage:

Delta Dental

Vision

Coverage Provisions:

All Retirees

Dental and Vision coverage is not available to retirees nor PSEBA recipients.

Retirees can only elect under COBRA for a maximum of 18 months.

DEVELOPMENT OF STARTING CLAIMS COSTS

Starting costs for the Village Plans were developed based on premiums charged for coverage. The insurance carrier charges actives and retirees the same premium rates. According to GASB 45, when an employer provides benefits to both active employees and retirees through the same plan, the benefits to retirees should be segregated and measured independently for actuarial measurement purposes. The projection of future retiree benefits should be based on claims costs, or age-adjusted premiums approximating claims costs, for retirees. As such, premiums were estimated for under-65 retirees and their spouses as if they were rated on a stand-alone basis. The results were then disaggregated into age-specific starting costs based on average ages and assumptions on the relationship between costs and increasing age.

GLOSSARY OF TERMS

GASB 45 TERMINOLOGY

Actuarial Accrued Liability ("AAL") – The AAL is the actuarial present value of future benefits based on employees' service rendered to the measurement data using the selected actuarial cost method. It is that portion of the Actuarial Present Value of plan benefits and expenses allocated to prior years of employment. It is not provided for by future Normal Costs.

> *Retirees & Dependents* – Former employees who have satisfied the age and service requirement and are currently receiving postretirement health care benefits
> *Actives Fully Eligible* – Active employees who have satisfied the age and service requirement for postretirement health care benefits
> *Actives Not Fully Eligible* – Active employees who have not yet satisfied the age and service requirement for postretirement health care benefits

Normal Cost – The Normal Cost is the present value of future benefits earned by employees during the current fiscal year. It is that portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

Unfunded Actuarial Accrued Liability ("UAAL") – The excess of the AAL over the Actuarial Value of Assets. The UAAL is amortized over a period either in level dollar amounts or as a level percentage of projected payroll. For an unfunded plan, the UAAL is equal to the AAL.

UAAL = AAL
– Actuarial Value of Assets

The maximum amortization period for the UAAL is 30 years. The minimum amortization period for a decrease in liability as a result of a method change is 10 years.

Annual Required Contribution ("ARC") – The ARC is the "required" cash contribution to the plan in order to keep up with benefit accruals and payments. It is an amount that would be expected to provide sufficient resources to fund both the normal cost for each year and the amortized unfunded liability if paid on an ongoing basis. If the plan were funded, the ARC would equal the employer's periodic required contributions to a defined benefit OPEB plan, calculated in accordance with the GASB 45 parameters. For non-funded plans, this amount is calculated and used to increase the net unfunded OPEB obligation.

ARC = Normal Cost
\+ Amortization of the UAAL
\+ Interest Adjustment

GASB 45 TERMINOLOGY – CONTINUED

Net OPEB Obligation ("NOO") – The NOO is the cumulative difference between past amounts expensed and past amounts actually contributed. If expense is greater than contributions, there will a liability. Conversely, if contributions are greater than the expense, there will be an asset.

NOO =		NOO at the Beginning of the Year
	+	Annual OPEB Cost
	–	Actual Contributions

The Net OPEB Obligation is represented as a balance sheet liability in the Statement of Net Assets.

Annual OPEB Cost – Also referred to as the "expense" the Annual OPEB Cost is an accrual-basis measure of the periodic cost of an employer's participation in a defined benefit OPEB plan. The Annual OPEB Cost is recorded as an expense and disclosed in the government-wide financial statement. It is the annual charge to the Income Statement.

Annual OPEB Cost =		ARC
	+	Interest on Net OPEB Obligation
	–	Adjustment to the ARC