

# ARLINGTON HEIGHTS POLICE PENSION FUND ANNUAL REPORT TO THE VILLAGE BOARD FOR THE 2011 LEVY (FY2013 BUDGET)

Source: Actuarial Valuation as of May 1, 2011, Goldstein & Associates

|  |                    |
|--|--------------------|
| Actuarial value of assets  | 78,078,416         |
| Total actuarial liability  | (\$114,638,854)    |
| Unfunded actuarial liability*                                    | (36,560,438)       |
| Funded ratio   | 68.11%             |
| Annual actuarial requirement for FY2013                          | <u>\$4,288,185</u> |
|  |                    |
| Village contribution as percent of Police participant payroll    | 43.63%             |
| Projected employee contributions                                 | \$974,024          |
| Employee contribution rate per State Statute                     | 9.91%              |
|  |                    |
| Actuarial assumed investment return                              | 7.00%              |
| Actuarial actual investment return                               | 3.00%              |
| Assumed investment return for FY2011                             | \$5,665,001        |
| Actual Investment return for FY2011                              | 6,476,330          |
| Actuarial investment gain/(loss) smoothed over three years:      |                    |
| One-third of investment gain/(loss) for fiscal year 2011         | \$270,443          |
| One-third of investment gain/(loss) for fiscal year 2010         | \$1,415,665        |
| One-third of investment gain/(loss) for fiscal year 2009         | (\$5,074,028)      |
| Total smoothed actuarial gain/(loss)                             | (\$3,387,920)      |
|  |                    |
| Number of active members contributing to the Police Pension Fund | 111                |
| Number of inactive members                                       | 5                  |
| Number of members receiving benefits                             | 74                 |
| 54 retirement pensions   | \$3,187,613        |
| 13 survivor pensions   | 504,069            |
| 5 disability pensions  | 195,176            |

\*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. Since the unfunded actuarial liability represents future benefits earned to date paid through 2040, the projected liability is not shown in the Police Pension Fund's balance sheet, but is shown as required supplementary information in the Village's Comprehensive Annual Financial Report.

**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 April 30, 2011, the most recent audited fiscal year-end.

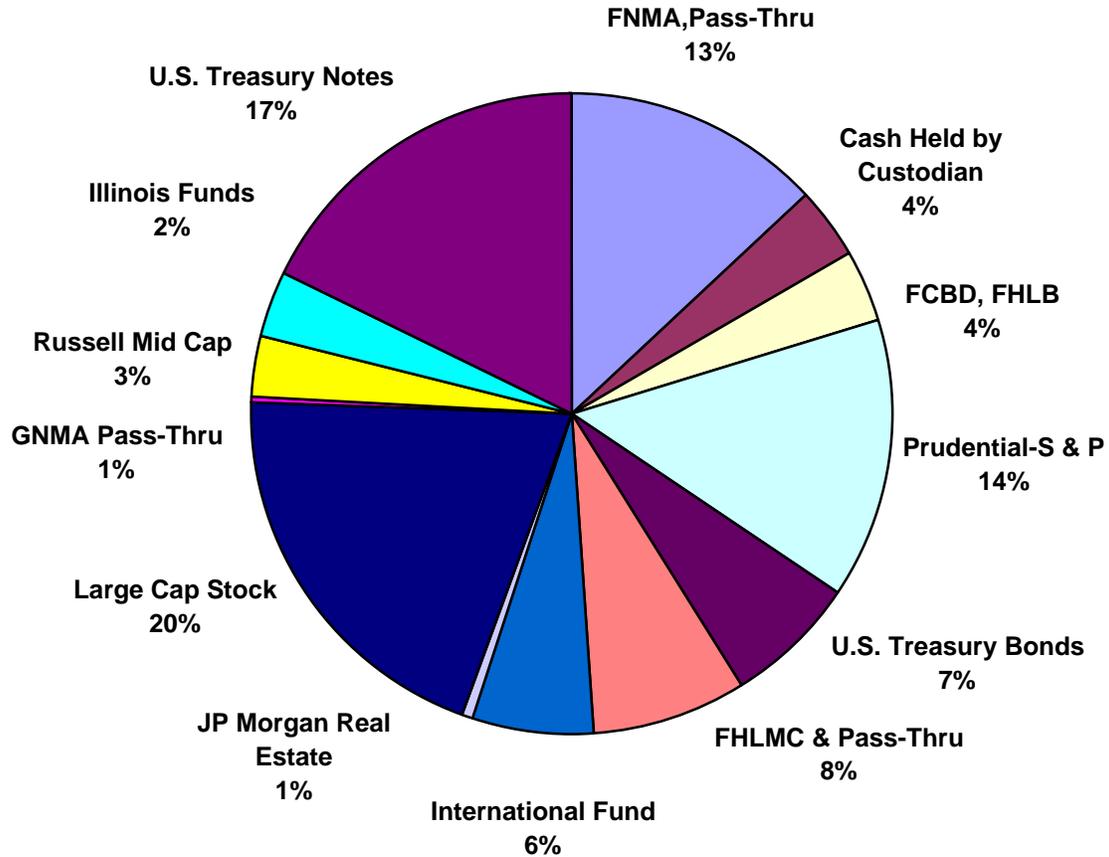
**CERTIFICATION:**

I, Arthur Whalen, 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 26<sup>th</sup> day of October, 2011.

Arthur Whalen, President  
Arlington Heights Police Pension Board

**Police Pension Fund  
Open Investments (Market Value)  
Period Ending April 30, 2011**



|                        |                      |
|------------------------|----------------------|
| FNMA, Pass-Thru        | 10,355,032.19        |
| Cash Held by Custodian | 2,840,997.51         |
| FCBD, FHLB             | 2,966,674.65         |
| Prudential-S & P       | 11,377,582.27        |
| U.S. Treasury Bonds    | 5,224,008.87         |
| FHLMC & Pass-Thru      | 6,283,152.49         |
| International Fund     | 4,922,560.71         |
| JP Morgan Real Estate  | 439,998.57           |
| Large Cap Stock        | 15,905,707.76        |
| GNMA Pass-Thru         | 167,487.94           |
| Russell Mid Cap 2000   | 2,535,133.60         |
| Illinois Funds         | 2,576,455.37         |
| U.S. Treasury Notes    | 14,216,012.00        |
| <b>Total</b>           | <b>79,810,803.93</b> |