TSW
Actuary

VILLAGE OF ITASCA

ITASCA POLICE PENSION FUND

Actuarial Valuation Report

For the Year

Beginning May 1, 2012

And Ending April 30, 2013

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

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INTRODUCTION

Police-sworn personnel of the Village of Itasca 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, 2012, and ending April 30, 2013.

The valuation results reported herein are based on plan provisions in effect as of May 1, 2012, 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, 2012, 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

Timothy W. Sharpe, EA, MAAA
Enrolled Actuary No. 11-4384

11/12/2012
Date

SUMMARY OF RESULTS

There was a change with respect to Actuarial Assumptions from the prior year to reflect revised expectations with respect to future interest rates and salary increases. The interest rate assumption has been reduced to 7.75% from 8.00%, and the salary increase assumption has been reduced to 4.50% from 5.00%.

There were no changes with respect to Plan Provisions or Actuarial Methods from the prior year.

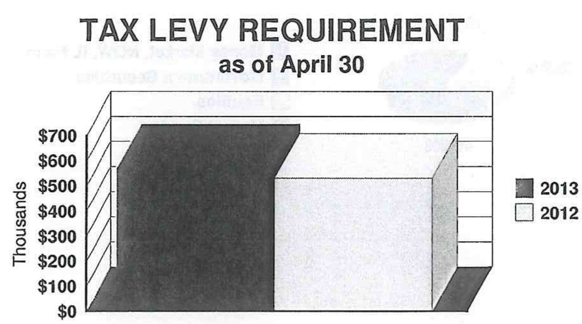
There were no unexpected changes with respect to the participants included in this actuarial valuation (0 new members, 1 termination, 1 retirement, 0 incidents of disability, annual payroll increase -4.8%, average salary increase 3.9%).

There were no unexpected changes with respect to the Fund's investments from the prior year (annual investment return 0.55%).

The Village's Tax Levy Requirement has increased from $537,359 last year to $576,591 this year (7.3%). The increase in the Tax Levy is due to the change to the actuarial assumptions and the investment return was less than assumed, and was offset due to using 5-year market averaging. The Percent Funded has decreased from 63.4% last year to 62.3% this year.

SUMMARY OF RESULTS (Continued)

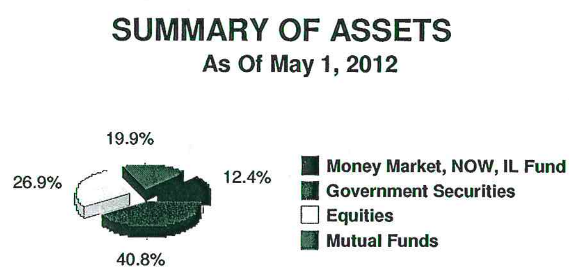
		For Year Ending April 30 2013		2012
Tax Levy Requirement	$	576,591	$	537,359
		as of May 1 2012		2011
Village Normal Cost		109,870		133,353
Anticipated Employee Contributions		186,109		195,593
Accrued Liability		21,970,468		20,442,904
Actuarial Value of Assets		13,691,716		12,962,967
Unfunded Accrued Liability/(Surplus)		8,278,752		7,479,937
Amortization of Unfunded Accrued Liability/(Surplus)		424,244		364,202
Percent Funded		62.3%		63.4%
Annual Payroll	$	1,877,990	$	1,973,692



ACTUARIAL VALUATION OF ASSETS

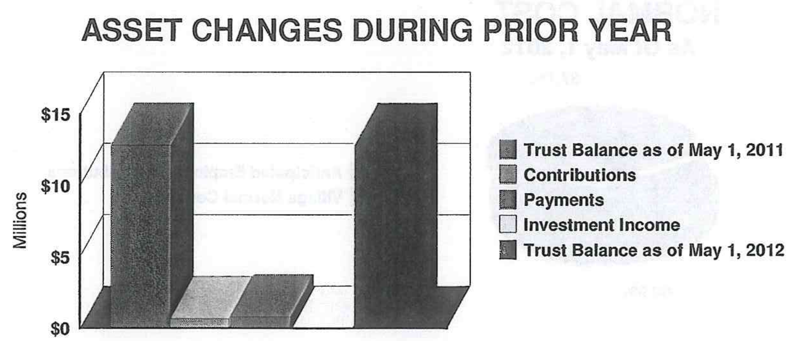
		as of May 1 2012		2011
Money Market, NOW, IL Fund	$	1,602,407	$	709,295
Government Securities		5,266,429		5,856,885
Equities		3,463,492		0
Mutual Funds		2,560,058		6,396,653
Interest Receivable		26,093		0
Miscellaneous Receivable/(Payable)		3,593		133
Market Value of Assets		12,922,072		12,962,967
Actuarial Value of Assets	$	13,691,716	$	

FYE 2012 (Gain)/Loss: $962,056



ASSET CHANGES DURING PRIOR YEAR

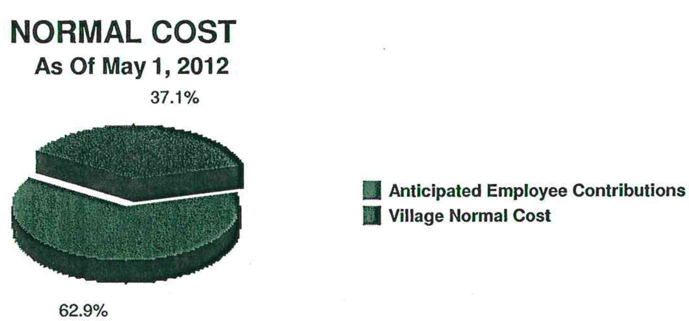
Trust Balance as of May 1, 2011		$	12,962,967
Contributions			
Village	596,937		
Employee	194,475		
Total			791,412
Payments			
Benefit Payments	781,737		
Expenses	121,095		
Total			902,832
Investment Income			70,525
Trust Balance as of May 1, 2012		$	12,922,072
Approximate Annual Rate of Return			0.55%



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.

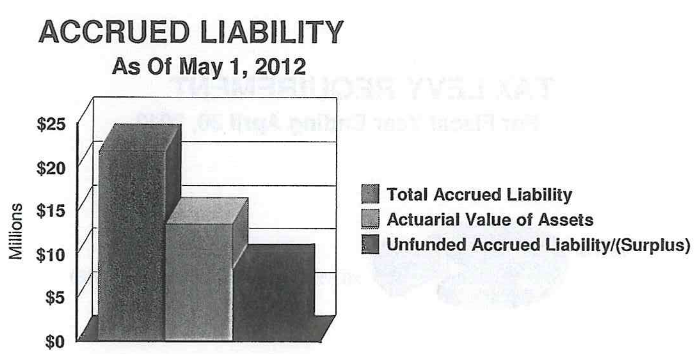
	as of May 1			
		2012		2011
Total Normal Cost	$	295,979	$	328,946
Anticipated Employee Contributions		186,109		195,593
Village Normal Cost		109,870		133,353
Normal Cost Payroll	$	1,877,990	$	1,973,692
Village Normal Cost Rate		5.85%		6.76%
Total Normal Cost Rate		15.76%		16.67%



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	
Accrued Liability	2012	2011
Active Employees	$ 11,084,302	$ 10,881,083
Children Annuities	0	0
Disability Annuities	558,797	537,930
Retirement Annuities	9,027,174	7,725,178
Surviving Spouse Annuities	714,683	731,780
Terminated Vested Annuities	585,512	566,933
Total Annuities	10,886,166	9,561,821
Total Accrued Liability	21,970,468	20,442,904
Actuarial Value of Assets	13,691,716	12,962,967
Unfunded Accrued Liability/(Surplus)	$ 8,278,752	$ 7,479,937
Percent Funded	62.3%	63.4%

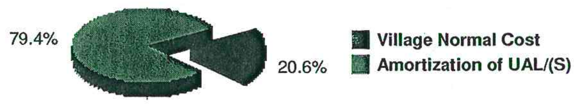


TAX LEVY REQUIREMENT

The Public Act 096-1495 Tax Levy Requirement is determined as the annual contribution necessary to fund the normal cost, plus the amount to amortize the excess (if any) of ninety percent (90%) of the accrued liability over the actuarial value of assets as a level percentage of payroll over a thirty (30) year period which commenced in 2011, plus an adjustment for interest. Prior to 2011, the amortization amount was equal to the amount to amortize the unfunded accrued liability as a level percentage of payroll over a forty (40) year period which commenced in 1993. Beginning in 2011, the amortization period has been reset to 30 years.

	For Year Ending April 30			
		2013		2012
Village Normal Cost as of Beginning of Year	$	109,870	$	133,353
Amortization of Unfunded Accrued Liability/(Surplus)		424,244		364,202
Interest for One Year		41,394		39,804
Tax Levy Requirement as of End of Year	$	575,508	$	537,359
Public Act 096-1495 Tax Levy Requirement				
1) Normal Cost (PUC)		266,307		299,246
2) Accrued Liability (PUC)		21,041,508		19,546,932
3) Amortization Payment		268,812		225,402
4) Interest for One Year		41,472		41,972
5) PA 096-1495 Tax Levy Requirement (1 + 3 + 4)	$	576,591		566,620

TAX LEVY REQUIREMENT
For Fiscal Year Ending April 30, 2013



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	2012		2012	2011		2011
Current Employees						
Vested	17			18		
Nonvested	4			5		
Total	21			23		
Inactive Participants			Annual Benefits			Annual Benefits
Children	0	$	0	0	$	0
Disabled Employees	1		35,017	1		35,017
Retired Employees	12		661,341	11		578,279
Surviving Spouses	3		132,149	3		132,149
Terminated Vesteds	1		36,964	1		36,964
Total	17		865,471	16		782,409
Annual Payroll		$	1,877,990		$	1,973,692

SUMMARY OF PLAN PARTICIPANTS (Continued)

Age and Service Distribution

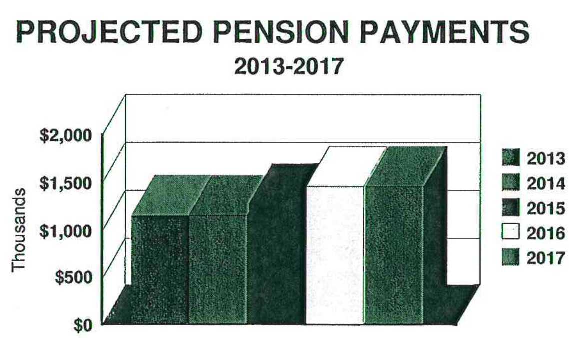
Service / Age	0-4	5-9	10-14	15-19	20-24	25-29	30+	Total	Salary
20-24									
25-29	1							1	68,141
30-34			2					2	83,502
35-39	2	1	1					4	79,867
40-44			3	1	1			5	90,742
45-49					4			4	96,444
50-54						3	1	4	100,324
55-59						1		1	82,597
60+									
Total	3	1	6	1	5	4	1	21	89,428
Salary	74,596	79,414	86,129	90,043	96,816	94,796	104,707		

Average Age: 42.9 Average Service: 16.7

DURATION (years) Active Members: 17.1 Retired Members: 9.9 All Members: 13.4

PROJECTED PENSION PAYMENTS

2013	2014	2015	2016	2017
$1,158,557	$1,152,189	$1,281,032	$1,474,573	$1,470,989



SUMMARY OF PLAN PROVISIONS

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

The Village of Itasca 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 (100%) of final salary for fatalities resulting from an act of duty, or otherwise 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.

For Employees hired after January 1, 2011, the Normal Retirement age is attainment of age 55 and completion of 10 years of service; Early Retirement age is attainment of age 50, completion of 10 years of service and the Early Retirement Factor is 6% per year; the Employee's Accrued Benefit is based on the Employee's final 8-year average salary not to exceed $106,800 (as indexed); Cost-of-living adjustments are simple increases (not compounded) of the lesser of 3% or 50% of CPI beginning the later of the anniversary date and age 60; Surviving Spouse's Benefits are 66 2/3% of the Employee's benefit at the time of death.

ACTUARIAL METHODS

The Actuarial Methods employed for this valuation are as follows:

Projected Unit Credit Cost Method (for years beginning on or after 2011 for PA 096-1495)

Under the Projected Unit Credit Cost Method, the Normal Cost is the present value of the projected benefit (including projected salary increases) earned during the year.

The Accrued Liability is the present value of the projected benefit (including projected salary increases) earned as of the actuarial valuation date. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

Entry Age Normal Cost Method

Under the Entry Age Normal Cost Method the Normal Cost for each participant is computed as the level percentage of pay which, if paid from the earliest age the participant is eligible to enter the plan until retirement or termination, will accumulate with interest to sufficiently fund all benefits under the plan. The Normal Cost for the plan is determined as the sum of the Normal Costs for all active participants.

The Accrued Liability is the theoretical amount that would have accumulated had annual contributions equal to the Normal Cost been paid. The Unfunded Accrued Liability is the excess of the Accrued Liability over the plan's assets. Experience gains or losses adjust the Unfunded Accrued Liability.

ACTUARIAL ASSUMPTIONS

The Actuarial Assumptions used for determining the Tax Levy Requirement and GASB Statements No. 25 & 27 Disclosure Information are the same (except where noted) and have been changed from the prior year (discussion on page 4). The Actuarial Assumptions employed for this valuation are as follows:

Valuation Date	May 1, 2012
Asset Valuation Method	5-year Average Market Value
Investment Return	7.75%
Salary Scale	4.50%
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 62)
Marital Status	80% Married, Female spouses 3 years younger
Plan Expenses	None

Sample Annual Rates Per 100 Participants

Age	Mortality	Withdrawal	Disability	Retirement
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	20.00
60	1.31		0.60	83.33
62	1.59			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:

	April 30, 2012	April 30, 2011
Retirees and beneficiaries receiving benefits	16	15
Terminated plan members entitled to but not yet receiving benefits	1	1
Active vested plan members	17	18
Active nonvested plan members	4	5
Total	38	39
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)
04/30/10	11,517,790	19,130,207	7,612,417	60.2%	1,987,850	382.9%
04/30/11	12,962,967	20,442,904	7,479,937	63.4%	1,973,692	379.0%
04/30/12	12,922,072	21,583,226	8,661,154	59.9%	1,877,990	461.2%

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

ANNUAL PENSION COST AND NET PENSION OBLIGATION

	April 30, 2012	April 30, 2011
Annual required contribution	621,324	620,922
Interest on net pension obligation	(11,426)	(12,368)
Adjustment to annual required contribution	7,153	9,263
Annual pension cost	617,051	617,817
Contributions made	596,937	606,037
Increase (decrease) in net pension obligation	20,114	11,780
Net pension obligation beginning of year	(142,826)	(154,606)
Net pension obligation end of year	(122,712)	(142,826)

THREE-YEAR TREND INFORMATION

Fiscal Year Ending	Annual Pension Cost (APC)	Percentage of APC Contributed	Net Pension Obligation
04/30/10	487,830	103.1%	(154,606)
04/30/11	617,817	98.1%	(142,826)
04/30/12	617,051	96.7%	(122,712)

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

FUNDING POLICY AND ANNUAL PENSION COST

Contribution rates:		
Village	31.79%	30.71%
Plan members	9.91%	Same
Annual pension cost	617,051	617,817
Contributions made	596,937	606,037
Actuarial valuation date	04/30/2012	04/30/2011
Actuarial cost method	Entry age	Same
Amortization period	Level percentage of pay, closed	Same
Remaining amortization period	29 years	30 years
Asset valuation method	Market	Same
Actuarial assumptions:		
Investment rate of return*	8.00%	Same
Projected salary increases*	5.00%	Same
*Includes inflation at	3.00%	Same
Cost-of-living adjustments	3.00% per year	Same