



FIRE PENSION FUNDING POLICY

LISLE-WOODRIDGE FIRE PROTECTION DISTRICT

1. **Policy:** This policy applies to the calculation of the Lisle-Woodridge Fire Protection District's (the "District") "actuarially determined contribution" (ADC) to Lisle-Woodridge Fire Pension Fund, a fire pension trust fund organized under Article IV of the Illinois Pension Code.
2. **Scope:** This pension funding policy is established for the Fire Pension Fund of the Lisle-Woodridge Fire Protection District as accounted for in the Comprehensive Annual Financial Report (CAFR) in accordance with Governmental Accounting Standards Board Statement No. 67, *Financial Reporting for Pension Plans* and Statement No. 68, *Accounting and Financial Reporting for Pensions*.
3. **Objectives:** The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants. In order to assure that the plan is financially sustainable, the plan should accumulate adequate resources over the active service life of its participants. This policy outlines the method the District will utilize to determine its actuarially determined contribution to the Lisle-Woodridge Fire Pension Fund to fund the long-term cost of benefits to the plan participants and annuitants.

4. **Background:** A Pension Funding Task Force was convened by the Center for State and Local Government Excellence. Guidelines set by the task force outline the following objectives for pension funding policy.
 - **Actuarially Determined Contributions.** A pension-funding plan should be based upon an actuarially determined contribution (ADC) that incorporates both the cost of benefits in the current year and the amortization of the plan's unfunded actuarial accrued liability.
 - **Funding Discipline.** A commitment to make timely, actuarially determined contributions to the retirement system is needed to ensure that sufficient assets are available for all current and future retirees.
 - **Intergenerational equity.** Annual contributions should be reasonably related to the expected and actual cost of each year of service so that the cost of employee benefits is paid by the generation of taxpayers who receive services from those employees.
 - **Contributions as a stable percentage of payroll.** Contributions should be managed so that employer costs remain consistent as a percentage of payroll over time.
 - **Accountability and transparency.** Clear reporting of pension funding should include an assessment of whether, how, and when the plan sponsor will ensure sufficient assets are available for all current and future retirees.

5. **Actuarially Determined Contribution (ADC):** The District will determine its ADC using the following principles:
 - a) An enrolled actuary will calculate the ADC.
 - b) The ADC will include the normal cost for current service and amortization to collect or refund any under or over funded amount.
 - c) The normal cost will be calculated using the entry age normal level of percentage of payroll actuarial cost method using the following assumptions:
 - i. The investment rate of return assumption will be 6.75% per year.
 - ii. The salary increase assumption will be 4.00% per year.
 - iii. Non-economic assumptions, such as rates of separation, disability, retirement, mortality, etc., shall be determined by District management in consultation with the actuary to reflect current experience.
 - d) The difference between the accrued liability and actuarial value of assets will be amortized to achieve 100% funding in 2040 (a 30 year closed period that began in 2011) based upon a level percentage of payroll.
 - e) Actuarial assets will be determined using market valuation.

The District will make its actuarially determined contribution to the Lisle-Woodridge Fire Pension Fund through the property tax distributions from DuPage and Will counties, and other available sources.

6. **Transparency and Reporting:** Funding of the Lisle-Woodridge Fire Pension Fund should be transparent to vested parties including plan participants, the Pension Fund Board of Trustees, the District Board of Trustees, and Lisle-Woodridge Fire District residents. In order to achieve this transparency, the following information shall be distributed:
 - a) A copy of the annual actuarial valuation for the Lisle-Woodridge Fire Pension Fund shall be made available to the District Board and the Pension Fund Board of Trustees.
 - b) The District's Comprehensive Annual Financial Report shall be published on its website. This report includes information on the District's annual contribution to the Fire Pension Fund, and funded status of the Lisle-Woodridge Fire Pension Fund.
 - c) Each year, the District Board shall approve the District's annual contribution to the Fire Pension Fund.
 - d) The District's annual operating budget shall include the District's contribution to the Lisle-Woodridge Fire Pension Fund, as well as a budget for the Lisle-Woodridge Fire Pension Fund. The Fire Pension Fund Board of Trustees, in accordance with state law, controls the budget for the Fire Pension Fund. The budget document shall be published on the District website and made available for public inspection at the District's Headquarters.

7. **Review of Funding Policy:** Funding a defined benefit pension plan requires a long-term horizon. Assumptions and inputs into the policy should focus on long-term trends, not year-to-year shifts in the economic or non-economic environments. Generally, assumptions or inputs should be evaluated and changed if long-term economic or non-economic inputs have fundamentally changed or are no longer reasonable. As such, the District will review this policy at least every three years to determine if changes to this policy are needed to ensure adequate resources are being accumulated in the Lisle-Woodridge Fire Pension Fund. The District reserves the right to make changes to this policy at any time if it is deemed appropriate.