

VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND

ANNUAL FINANCIAL REPORT

FOR THE FISCAL YEAR ENDED
APRIL 30, 2017

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

Table of Contents

	PAGE
INDEPENDENT AUDITORS' REPORT	1 - 2
FINANCIAL STATEMENTS	
Statement of Fiduciary Net Position	3
Statement of Changes in Fiduciary Net Position	4
Notes to the Financial Statements	5 - 14
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of Employer Contributions	15
Schedule of Changes in the Employer's Net Pension Liability	16
Schedule of Investment Returns	17

INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

August 15, 2017

Members of the Pension Board of Trustees
Grayslake Police Pension Fund
Village of Grayslake, Illinois

We have audited the basic financial statements of the Grayslake Police Pension Fund (the "Pension Fund"), a pension trust fund of the Village of Grayslake, Illinois, as of and for the year ended April 30, 2017, and the related notes to the financial statements, which collectively comprise the Pension Fund's basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement.

As discussed in Note 1, these basic financial statements present only the Pension Fund and are not intended to present fairly the financial position and changes in financial position of the Village of Grayslake, Illinois, in conformity with accounting principles generally accepted in the United States of America.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Pension Fund's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Fund's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the basic financial statements referred to above present fairly, in all material respects, the plan net position of the Grayslake Police Pension Fund, Illinois, as of April 30, 2017, and the changes in plan net position for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

In addition, accounting principles generally accepted in the United States of America require that the required supplementary information listed in the table of contents be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The Pension Fund has not presented a Management's Discussion and Analysis as required supplementary information that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Lauterbach + Amen LLP

LAUTERBACH & AMEN, LLP

FINANCIAL STATEMENTS

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Statement of Fiduciary Net Position
April 30, 2017**

ASSETS	
Cash and Cash Equivalents	\$ 184,817
Investments, at Fair Value	
U.S. Treasury Obligations	4,665,487
U.S. Agency Obligations	325,697
Corporate Bonds	2,830,390
Mutual Funds	10,878,677
Receivables	
Taxes	3,907
Accrued Interest	45,404
Due from Other Funds	<u>13,840</u>
Total Assets	18,948,219
NET POSITION	
Net Position Restricted for Pensions	<u><u>18,948,219</u></u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Statement of Changes in Fiduciary Net Position
For the Year Ended April 30, 2017**

Additions	
Contributions - Employer	\$ 588,852
Contributions - Plan Members	296,837
Total Contributions	<u>885,689</u>
Investment Income	
Interest Earned	177,917
Net Change in Fair Value	1,580,883
	<u>1,758,800</u>
Less Investment Expenses	(56,367)
Net Investment Income	<u>1,702,433</u>
Total Additions	<u>2,588,122</u>
Deductions	
Administration	21,274
Benefits and Refunds	519,327
	<u>540,601</u>
Total Deductions	<u>540,601</u>
Change in Fiduciary Net Position	2,047,521
Net Position Restricted for Pensions	
Beginning	<u>16,900,698</u>
Ending	<u>18,948,219</u>

The notes to the financial statements are an integral part of this statement.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Police Pension Fund (the “Pension Fund”) of the Village of Grayslake, Illinois have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the Pension Fund's accounting policies are described below.

REPORTING ENTITY

The Pension Fund is a fiduciary fund, and specifically, a pension trust fund, of the Village of Grayslake, Illinois (the “Village”) pursuant to GASB Statement No. 61. The decision to include the Pension Fund in the Village's reporting entity was made based upon the significance of their operational or financial relationships with the Village.

The Village's police employees participate in the Police Pension Employees Retirement System (PPERS). PPERS functions for the benefit of these employees and is governed by a five-member pension board. Two members appointed by the Village's Mayor, one elected pension beneficiary, and two elected police employees constitute the pension board. The Village and PPERS participants are obligated to fund all PPERS costs based upon actuarial valuations. The State of Illinois is authorized to establish benefit levels and the Village is authorized to approve the actuarial assumptions used in the determination of contribution levels.

BASIS OF PRESENTATION

Pension Trust Funds

Pension trust funds are used to account for assets held in a trustee capacity for pension benefit payments. The Police Pension Fund accounts for the accumulation of resources to pay retirement and other related benefits for sworn members of the Village's Police Department.

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING

Measurement focus is a term used to describe “which” transactions are recorded. Basis of accounting refers to “when” transactions are recorded, regardless of the measurement focus applied.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

MEASUREMENT FOCUS AND BASIS OF ACCOUNTING – Continued

Measurement Focus

Pension trust funds utilize an “economic resources” measurement focus. The accounting objectives of this measurement focus are the determination of changes in net position. All assets and liabilities (whether current or noncurrent) associated with their activities are reported. Pension trust fund equity is classified as net position restricted for pensions.

Basis of Accounting

The accrual basis of accounting is utilized by pension trust funds. Under this method, additions to net position are recorded when earned and deductions from net position are recorded when the time related liabilities are incurred. Plan member contributions are recognized in the period in which the contributions are due. Employer contributions are recognized when due and the employer has made a formal commitment to provide the contributions. Benefits and refunds are recognized when due and payable in accordance with the terms of the plan.

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS AND NET POSITION

Cash and Investments

For the purpose of the Statement of Net Position, cash and cash equivalents are considered to be cash on hand and demand deposits.

Pension Fund investments are generally reported at fair value. Short-term investments are reported at cost, which approximates fair value. For investments, the Pension Fund categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. Level 1 inputs are quoted prices in active markets for identical assets; Level 2 inputs are significant other observable inputs; Level 3 inputs are significant unobservable inputs.

Receivables

Pension Fund receivables consist of all revenues earned at year-end and not yet received. The major receivable balance for the Pension Fund is accrued interest from cash and investments.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – Continued

ASSETS/DEFERRED OUTFLOWS, LIABILITIES/DEFERRED INFLOWS AND NET POSITION – Continued

Short-Term Interfund Receivables/Payables

During the course of operations, numerous transactions occur between individual funds of the Village for goods provided or services rendered. These receivables and payables, if any, which relate to the Pension Fund are classified as "Due from the Village" or "Due to the Village" on the Statement of Net Position.

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS

DEPOSITS, INVESTMENTS AND CONCENTRATIONS

The deposits and investments of the Pension Fund are held separately from those of other Village funds. Statutes authorize the Pension Fund to make deposits/invest in interest bearing direct obligations of the United States of America; obligations that are fully guaranteed or insured as to the payment of principal and interest by the United States of America; bonds, notes, debentures, or similar obligations of agencies of the United States of America; savings accounts or certificates of deposit issued by banks or savings and loan associations chartered by the United States of America or by the State of Illinois, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; credit unions, to the extent that the deposits are insured by the agencies or instrumentalities of the federal government; State of Illinois bonds; pooled accounts managed by the Illinois Funds Market Fund (Formerly known as IPTIP, Illinois Public Treasurer's Investment Pool), or by banks, their subsidiaries or holding companies, in accordance with the laws of the State of Illinois; bonds or tax anticipation warrants of any county, township, or municipal corporation of the State of Illinois; direct obligations of the State of Israel; money market mutual funds managed by investment companies that are registered under the Federal Investment Company Act of 1940 and the Illinois Securities Law of 1953 and are diversified, open-ended management investment companies, provided the portfolio is limited to specified restrictions; general accounts of life insurance companies; and separate accounts of life insurance companies and mutual funds, the mutual funds must meet specific restrictions, provided the investment in separate accounts and mutual funds does not exceed ten percent of the Pension Fund's net position; and corporate bonds managed through an investment advisor, rated as investment grade by one of the two largest rating services at the time of purchase. Pension Funds with a net position of \$2.5 million or more may invest up to forty-five percent of their net position in separate accounts of life insurance companies and mutual funds. Pension Funds with a net position of at least \$5 million that have appointed an investment advisor, may through that investment advisor invest up to forty-five percent of the plan net position in common and preferred stocks that meet specific restrictions. In addition, Pension Funds with a net position of at least \$10 million that have appointed an investment advisor, may invest up to fifty percent of its net plan position in common and preferred stocks and mutual funds that meet specific restrictions effective July 1, 2011 and up to fifty-five percent effective July 1, 2012.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Credit Risk, Custodial Credit Risk, and Concentration Risk

Deposits. At year-end, the carrying amount of the Fund’s deposits totaled \$184,817 and the bank balances totaled \$184,817.

Investments. At year-end, the Pension Fund has the following investments and maturities:

Investment Instrument	Fair Value	Investment Maturities (in Years)			
		Less Than 1	1 to 5	6 to 10	More Than 10
U.S. Treasury Obligations	\$ 4,665,487	-	3,828,521	836,966	-
U.S. Agency Obligations	325,697	-	417	325,280	-
Corporate Bonds	2,830,390	137,340	1,376,475	1,175,755	140,820
	<u>7,821,574</u>	<u>137,340</u>	<u>5,205,413</u>	<u>2,338,001</u>	<u>140,820</u>

The Fund has the following recurring fair value measurements as of April 30, 2017:

Investments by Fair Value Level	April 30, 2017	Fair Value Measurements Using		
		Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Debt Securities				
U.S. Treasuries	\$ 4,665,487	4,665,487	-	-
U.S. Agencies	325,697	-	325,697	-
Corporate Bonds	2,830,390	-	2,830,390	-
Equity Securities				
Mutual Funds	10,878,677	10,878,677	-	-
Total Investments by Fair Value Level	<u>18,700,251</u>	<u>15,544,164</u>	<u>3,156,087</u>	<u>-</u>

The Pension Fund assumes any callable securities will not be called.

Interest Rate Risk. Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. In accordance with its investment policy, the Police Pension Fund limits its exposure to interest rate risk by structuring the portfolio to provide liquidity for all reasonably anticipated operating requirements while providing a reasonable rate of return based on the current market.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Credit Risk, Custodial Credit Risk, and Concentration Risk – Continued

Credit Risk. Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. The Fund's investment policy requires all fixed income investments to be of investment grade quality or higher at purchase. Also, according to the provisions of the Illinois compiled Statutes, fixed income purchases shall be limited to obligations issued or guaranteed as to principal and interest by the U.S. Government or any agency or instrumentality thereof, or to corporate and municipal issues. All securities shares be of "investment grade" quality; that is, at the time of purchases, rated no lower than "Baa" by the Moody's and no lower than "BBB" by Standard and Poor's. The Board, at their discretion, may impose a higher standard on an individual investment manager basis as circumstances or investment objectives dictate. At year-end, the Fund's investments in U.S. Government Agencies were not rated, U.S. Government Treasuries were rated AAA by Moody's and Corporate Bonds were rated BAA3 to AAA by Moody's.

Custodial Credit Risk. For deposits, the Fund's investment policy does not address custodial credit risk. In the case of investments, the Fund's investment policy requires that all amounts in excess of any insurance limits be collateralized by securities eligible for Police Pension Trust Fund investment or any other high-quality, interest-bearing security rated at least AA/Az by one or more standard rating service to include Standard and Poor's, Moody's or Fitch. The market value of the pledge securities shall equal or exceed the portion of the deposit requiring collateralization. At year-end, the entire carrying amount of the bank balance of deposits is covered by federal depository or equivalent insurance.

Concentration Risk. The Fund's investment policy limits the amount it may invest in U.S. Government guaranteed obligations or investment guaranteed by federal agencies of the U.S. Government. Although no specific clause within the pension board's investment policy limits the amount it may invest in any one issuer, the pension board actively monitors the holdings selected by the investment advisor.

In addition to the securities and fair values listed above, the Fund also has \$10,878,677 invested in mutual funds. At year-end, the Fund does not have over 5 percent of net plan assets available for retirement benefits (other than investments issued or explicitly guaranteed by the U.S. government and investments in mutual funds, external investment pools, and other pooled investments).

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 2 – DETAIL NOTES ON FINANCIAL STATEMENTS – Continued

DEPOSITS, INVESTMENTS AND CONCENTRATIONS – Continued

Credit Risk, Custodial Credit Risk, and Concentration Risk – Continued

Concentration Risk – Continued. The Fund’s investment policy in accordance with Illinois Compiled Statutes (ILCS) establishes the following target allocation across asset classes:

<u>Asset Class</u>	<u>Target</u>	<u>Long-Term Expected Real Rate of Return</u>
Fixed Income	50%	1.20%
Domestic Equities	10% - 35%	6.40% - 8.40%
International Equities	5%	6.70%
Cash and Cash Equivalents	0%	0.00%

Illinois Compiled Statutes (ILCS) limit the Fund’s investments in equities, mutual funds and variable annuities to 55%. Securities in any one company should not exceed 5% of the total fund.

The long-term expected rate of return on the Fund’s investments was determined using an asset allocation study conducted by the Fund’s investment management consultant in May 2017 in which best-estimate ranges of expected future real rates of return (net of pension plan investment expense and inflation) were developed for each major asset class. These ranges were combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding the expected inflation. Best estimates or arithmetic real rates of return for each major asset class included in the Fund’s target asset allocation as of April 30, 2017 are listed in the table above.

Rate of Return

For the year ended April 30, 2017, the annual money-weighted rate of return on pension plan investments, net of pension plan investment expense, was 10.06%. The money-weighted rate of return expresses investment performance, net of investment expense, adjusted for the changing amounts actually invested.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 3 – OTHER INFORMATION

CONTINGENT LIABILITIES

Litigation

The Pension Fund is not currently involved with any lawsuits.

Compliance Audit

The Police Pension Fund is subject to a program compliance audit by the Illinois Department of Insurance. The compliance audit by the Illinois Division of Insurance for the year ended April 30, 2017 has not yet been conducted. Accordingly, the Police Pension Fund's compliance with applicable requirements will be established at some future date. The amount of any adjustments to be made by the Illinois Department of Insurance cannot be determined at this time however, the Police Pension Fund expects such adjustments, if any, to be immaterial.

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN

Plan Administration

The Police Pension Plan is a single-employer defined benefit pension plan that covers all sworn police personnel. The defined benefits and employee and minimum employer contribution levels are governed by Illinois Compiled Statutes (40 ILCS 5/3-1) and may be amended only by the Illinois legislature. The Village accounts for the Fund as a pension trust fund. The Fund is governed by a five-member pension board. Two members of the Board are appointed by the Village President, one member is elected by pension beneficiaries and two members are elected by active police employees.

Plan Membership

At April 30, 2017, the measurement date, membership consisted of the following:

Inactive Plan Members Currently Receiving Benefits	9
Inactive Plan Members Entitled to but not yet Receiving Benefits	-
Active Plan Members	<u>30</u>
Total	<u><u>39</u></u>

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 3 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Benefits Provided

The following is a summary of the Police Pension Plan as provided for in Illinois State Statutes.

The Police Pension Plan provides retirement benefits through two tiers of benefits as well as death and disability benefits. Covered employees hired before January 1, 2011 (Tier 1), attaining the age of 50 or older with 20 or more years of creditable service are entitled to receive an annual retirement benefit of $\frac{1}{2}$ of the salary attached to the rank held on the last day of service, or for one year prior to the last day, whichever is greater. The annual benefit shall be increased by 2.5 percent of such salary for each additional year of service over 20 years up to 30 years, to a maximum of 75 percent of such salary. Employees with at least eight years but less than 20 years of credited service may retire at or after age 60 and receive a reduced benefit. The monthly benefit of a police officer 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 percent of the original pension and 3 percent compounded annually thereafter.

Covered employees hired on or after January 1, 2011 (Tier 2), attaining the age of 55 or older with 10 or more years of creditable service are entitled to receive an annual retirement benefit equal to the average monthly salary obtained by dividing the total salary of the police officer during the 96 consecutive months of service within the last 120 months of service in which the total salary was the highest by the number of months of service in that period. Police officer salary for the pension purposes is capped at \$106,800, plus the lesser of $\frac{1}{2}$ of the annual change in the Consumer Price Index or 3 percent compounded. The annual benefit shall be increased by 2.5 percent of such a salary for each additional year of service over 20 years up to 30 years to a maximum of 75 percent of such salary. Employees with at least 10 years may retire at or after age 50 and receive a reduced benefit (i.e., $\frac{1}{2}$ percent for each month under 55). The monthly benefit of a Tier 2 police officer shall be increased annually at age 60 on the January 1st after the police office retires, or the first anniversary of the pension starting date, whichever is later. Noncompounding increases occur annually, each January thereafter. The increase is the lesser of 3% of $\frac{1}{2}$ of the change in the Consumer Price Index for the proceeding calendar year.

Contributions

Covered 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. The Village is required to contribute the remaining amounts necessary to finance the plan and the administrative costs as actuarially determined by an enrolled actuary. However, effective January 1, 2011, ILCS requires the Village to contribute a minimum amount annually calculated using the projected unit credit actuarial cost method that will result in the funding of 90% of the past service cost by the year 2040. For the year-ended April 30, 2017, the Village's contribution was 19.68% of covered payroll.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 3 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Net Pension Liability

The components of the net pension liability of the Village as of April 30, 2017 were as follows:

Total Pension Liability	\$ 24,332,555
Plan Fiduciary Net Position	<u>18,948,219</u>
Village's Net Pension Liability	<u><u>5,384,336</u></u>
Plan Fiduciary Net Position as a Percentage of the total Pension Liability	77.9%

See the Schedule of Changes in the Employer's Net Pension Liability and Related Ratios in the required supplementary information for additional information related to the funded status of the Fund.

Actuarial Assumptions

The total pension liability above was determined by an actuarial valuation performed as of April 30, 2017 using the following actuarial methods and assumptions:

Actuarial Cost Method	Entry Age Normal
Asset Valuation Method	Market
Actuarial Assumptions	
Interest Rate	7.00%
Salary Increases	3.75% to 15.60%
Cost of Living Adjustments	2.50%
Inflation	2.50%

Mortality rates are based on the observed experience of Illinois Police Officers with the RP-2014 mortality table for blue collar workers. Mortality improvements have been made to 5 years past the valuation date.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Notes to the Financial Statements
April 30, 2017**

NOTE 3 – OTHER INFORMATION – Continued

EMPLOYEE RETIREMENT SYSTEM – DEFINED BENEFIT PENSION PLAN – Continued

Discount Rate

The discount rate used to measure the total pension liability was 7.00%, the same as the prior valuation. The projection of cash flows used to determine the discount rate assumed that member contributions will be made at the current contribution rate and that Village contributions will be made at rates equal to the difference between the actuarially determined contribution rates and the member rate. Based on those assumptions, the Fund's fiduciary net position was projected to be available to make all project future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

Discount Rate Sensitivity

The following is a sensitive analysis of the net pension liability to changes in the discount rate. The table below presents the pension liability of the Village calculated using the discount rate of 7.00% as well as what the Village's net pension liability would be if it were calculated using a discount rate that is one percentage point lower or one percentage point higher than the current rate:

	1% Decrease (6.00%)	Current Discount Rate (7.00%)	1% Increase (8.00%)
Net Pension Liability	\$ 9,770,068	5,384,336	1,892,488

REQUIRED SUPPLEMENTARY INFORMATION

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Required Supplementary Information - Last Ten Fiscal Years
Schedule of Employer Contributions**

April 30, 2017

Fiscal Year	Actuarially Determined Contribution	Contributions in Relation to the Actuarially Determined Contribution	Contribution Excess/ (Deficiency)	Covered-Employee Payroll	Contributions as a Percentage of Covered-Employee Payroll
2015	\$ 500,917	\$ 931,452	\$ 430,535	\$ 2,859,924	32.57%
2016	586,805	722,699	135,894	2,903,959	24.89%
2017	564,912	588,852	23,940	2,991,893	19.68%

Notes to the Required Supplementary Information:

Actuarial Cost Method	Entry Age Normal
Amortization Method	Level % Pay (Closed)
Remaining Amortization Period	23 Years
Asset Valuation Method	Market
Inflation	2.50%
Salary Increases	3.75 % - 15.60%
Investment Rate of Return	7.00%
Retirement Age	See the Notes to the Financial Statements
Mortality	2016 Illinois Police Mortality Rates

Notes:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Required Supplementary Information
Schedule of Changes in the Employer's Net Pension Liability**

April 30, 2017

	2015	2016	2107
Total Pension Liability			
Service Cost	\$ 742,034	579,888	684,465
Interest	1,340,818	1,625,127	1,591,806
Differences Between Expected and Actual Experience	-	82,963	305,208
Change of Assumptions	-	(2,269,945)	(730,384)
Benefit Payments, Including Refunds of Member Contributions	(379,974)	(466,681)	(519,327)
Net Change in Total Pension Liability	1,702,878	(448,648)	1,331,768
Total Pension Liability - Beginning	21,746,557	23,449,435	23,000,787
Total Pension Liability - Ending	23,449,435	23,000,787	24,332,555
Plan Fiduciary Net Position			
Contributions - Employer	\$ 931,452	722,699	588,852
Contributions - Members	283,529	288,233	296,837
Contributions - Other	-	25,620	-
Net Investment Income	1,098,394	(25,301)	1,702,433
Benefit Payments, Including Refunds of Member Contributions	(379,974)	(466,681)	(519,327)
Administrative Expense	(23,845)	(41,210)	(21,274)
Net Change in Plan Fiduciary Net Position	1,909,556	503,360	2,047,521
Plan Net Position - Beginning	14,487,782	16,397,338	16,900,698
Plan Net Position - Ending	16,397,338	16,900,698	18,948,219
Employer's Net Pension Liability	\$ 7,052,097	6,100,089	5,384,336
Plan Fiduciary Net Position as a Percentage of the Total Pension Liability	69.93%	73.48%	77.87%
Covered-Employee Payroll	\$ 2,859,924	2,903,959	2,991,893
Employer's Net Pension Liability as a Percentage of Covered-Employee Payroll	246.58%	210.06%	179.96%

Note: This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.

**VILLAGE OF GRAYSLAKE, ILLINOIS
POLICE PENSION FUND**

**Required Supplementary Information
Schedule of Investment Returns**

April 30, 2017

Fiscal Year	Annual Money- Weighted Rate of Return, Net of Investment Expense
2015	7.33%
2016	(0.42%)
2017	10.06%

Note:

This schedule is intended to show information for ten years and additional year's information will be displayed as it becomes available.