



Village of Woodridge

Pension Funding Policy

Policy Statement

The Village offers a defined benefit pension to their employees. Governments that offer defined benefit pensions should fund the cost of those benefits in an equitable and sustainable manner. The Village therefore has adopted this pension funding policy to ensure that pension benefits will remain sustainable by providing adequate resources in a systematic and disciplined manner.

Policy Objectives

- To maintain a pension funding plan that is based on an actuarially determined annual required contribution that incorporates both the cost of benefits in the current year and the amortization of the plan's unfunded actuarial accrued liability.
- A commitment to make timely, actuarially determined contributions to the retirement system to ensure that sufficient assets are available for all current and future retirees.
- To maintain intergenerational equity so that the cost of employee benefits are paid by the generation of taxpayers who receives the services from those employees.
- To manage contributions so that employer costs remain consistent as a percentage of payroll over time.
- To require clear reporting of pension funding that includes an assessment of how and when the pension plan will be adequately funded to ensure that sufficient assets will be available for all current and future retirees.

Policy Guidelines

The Village of Woodridge participates in two separate defined benefit pension plans. The Illinois Municipal Retirement Fund (IMRF) is a multi-employer agent public employee retirement system that provides benefits to all non-sworn personnel that meet the established requirements for participation. The Village also maintains a Police Pension Trust Fund to collect monies for the future payment of benefits to all sworn personnel. The Village will use the following guidelines to set employer contribution rates that will consistently fund benefits for current and future retirees:

Illinois Municipal Retirement Fund (IMRF)

1. As a multi-employer agent plan, IMRF determines the Village's employer contribution rate annually in accordance with their pension funding policy.
2. The Village is required to contribute this amount as a percentage of payroll each month to IMRF.

Village of Woodridge Police Pension Fund

1. The Village has determined that a 100% funding goal is consistent with sound financial management and is consistent with generally accepted accounting principles (GAAP). Therefore, the Village will utilize that goal in determining actuarial valuations.
2. The Village commits to fully funding the determined annual required contribution.
3. Each year an actuarially determined annual required contribution will be calculated which will include both:
 - a. A factor for normal cost for current service based upon the benefit provision in the Illinois Pension Code, and;
 - b. A factor to collect or refund any under or over funded amount.
4. Normal cost will be calculated using the Entry Age Normal level percentage of payroll and the following assumptions:
 - a. Asset Valuation Method: 5 year smoothed market. This will be the same for both gains and losses.
 - b. Investment rate of return: 7.25% - 7.75%
 - c. Salary Scale: 5.5%
 - d. Mortality: RP 2000 Mortality Table
 - e. Non-Economic Assumptions: State of Illinois DOI Experience Rates
5. Amortization of under or over funded status will be based on a level percentage of payroll and will cover a 30 year closed period expiring in 2033.

In the spirit of transparency and accountability, the Village will annually report information relating to the pension funds in their financial statements, including the annual required contributions, actual contributions received and a schedule of funding progress.

This policy is subject to the review and approval of the Village Board and is subject to change if deemed appropriate and in the best interests of the Village and plan participants.

