



PUBLIC MEETING NOTICE AND AGENDA  
COMMITTEE OF THE WHOLE MEETING  
OCTOBER 6, 2020  
7:30 P.M.  
AGENDA

1. Call to Order
2. Pledge of Allegiance
3. Audience Participation  
The public is invited to make an issue-oriented comment on any matter of public concern not otherwise on the agenda. The public comment may be no longer than 3 minutes in duration.
4. Staff Presentations
  - A. Administration
    1. Raffle License Request – Lake in the Hills Property Owners Association
    2. Side Letters of Agreement with SEIU 73 and MAP 90 & 168 – Addendum to Personnel Rules and Regulations Section III Benefit Leave
  - B. Finance
    1. Village of Lake in the Hills Police Pension Fund Municipal Compliance Report for the Fiscal Year Ended December 31, 2019
    2. Village of Lake in the Hills Police Pension Fund 2020 Property Tax Levy Request
  - C. Public Works
    1. Ordinance approving a Ground Lease with Finnegan Aviation Services, LLC for Hangar PAP-54
5. Board of Trustees
  - A. Trustee Harlfinger
  - B. Trustee Huckins
  - C. Trustee Bogdanowski
  - D. Trustee Dustin
    1. Planning and Zoning Commission Liaison Report
  - E. Trustee Bojarski
  - F. Trustee Murphy
    1. Parks and Recreation Board Liaison Report
6. Village President
7. Audience Participation
8. Motion to enter into Closed Session for Approval/Semi-Annual Review of Closed Session Minutes (5 ILCS 120/2(c))
9. Adjournment

MEETING LOCATION  
Lake in the Hills Village Hall  
600 Harvest Gate  
Lake in the Hills, IL 60156

The Village of Lake in the Hills is subject to the requirements of the Americans with Disabilities Act of 1990. Individuals with disabilities who plan to attend this meeting and who require certain accommodations so that they can observe and/or participate in this meeting, or who have questions regarding the accessibility of the meeting or the Village's facilities, should contact the Village's ADA Coordinator at (847) 960-7410 [TDD (847) 658-4511] promptly to allow the Village to make reasonable accommodations for those persons.

Posted by: \_\_\_\_\_ Date: \_\_\_\_\_ Time: \_\_\_\_\_



# REQUEST FOR BOARD ACTION

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**MEETING DATE:** October 6, 2020

**DEPARTMENT:** Administration

**SUBJECT:** Raffle License Request for Lake in the Hills Property Owners Association

## EXECUTIVE SUMMARY

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The Lake in the Hills Property Owners Association is requesting a Raffle License for Saturday, November 21, 2020.

The raffle prizes will consist of various meat items. All provisions of Section 31.02 of the Village Code have been met. Lake in the Hills Property Owners Association unanimously voted to request a waiver of the fidelity bond requirement associated with the Raffle Application form.

## FINANCIAL IMPACT

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None.

## ATTACHMENTS

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1. Raffle License Application

## RECOMMENDED MOTION

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Motion to approve the Raffle License Request and waive the fidelity bond requirement for the Lake in the Hills Property Owners Association.



Village of Lake in the Hills  
Raffle Application Form

Date of Application 9/9/2020

*(The Village President, with the advice and consent of the Board of Trustees, shall have 30 days in which to approve or disapprove the license applied for.)*

**Application Information:**

Name of Organization: LTH Property Owner's Association

Date of incorporation or formation of Organization (minimum of 5 years in existence is required to qualify for license): 1952

Does this organization fulfill the requirement of operating without profit to its members: Yes  No

Purpose for which club/ organization was formed: for the betterment of the Community

Presiding Officer's Name: Paul Mulcahy

Presiding Officer's Address: 410 Village Creek  
Lake in the Hills IL 60156

Secretary's Name: Christian Parrott (Kiki)

Secretary's Address: 301 Apache Tr.  
LITH, IL 60156

Raffle Manager's Name: Laurie Gallois

Raffle Manager's Address: 1324 Clayton Marsh

Raffle Manager's Phone #: 630-715-1492

Raffle Manager's Date of Birth: 3/22/1965

Names & Addresses of any other individual directly involved with the administration of the raffle.

\_\_\_\_\_  
\_\_\_\_\_  
\_\_\_\_\_

**Raffle Information:**

Dates raffle chances will be sold or issued: Nov 21, 2020 - Nov 21, 2020

Date/Time raffle is to take place: Nov/21/20 - noon - 5pm

Location or Description of Premises and Address of raffle: 1212 Crystal Lake Rd  
LITH

Location or areas within the village where the raffle chances will be sold or issued:  
Method by which the winning chance will be determined:

@ the POA building

random draw

Total number of chances to be sold:

1500

Maximum price of each raffle chance:

1.00 each or 6 for 5.00

Item(s) to be raffled:

turkey, ham, and various meat packages

Maximum Retail Value of Each Prize:

\$

\$ 25.00 - 50.00

\$

\$

\$

\$

Retail dollar value of all prizes:

\$

**Assertions:**

- Yes  No  Does the raffle manager reside in Lake in the Hills?
- Yes  No  Is the raffle manager a US Citizen?
- Yes  No  Has the raffle manager ever been convicted of a felony under any federal or state law?
- Yes  No  Has the raffle manager ever been convicted of pandering or other crimes or misdemeanor opposed to decency and morality?
- Yes  No  Has the organization ever had a raffle license previously revoked for cause?
- Yes  No  Is the presiding officer, secretary, raffle manager or other individuals directly involved in the administration of the raffle, a law enforcing public official, President, Trustee, or member of the Village Board or commission, or any president or member of a County Board?
- Yes  No  Is there interest in the raffle for any law enforcing public official, President, Trustee, or member of the Village Board or commission, or any president or member of a County Board?
- Yes  No  Has the organization or raffle manager ever been convicted of a gambling offense as proscribed by either local, state or federal law?
- Yes  No  Has the organization or raffle manager ever been issued a federal gambling device stamp or a federal wagering stamp for the current tax period?
- Yes  No  Has the premises of the raffle ever been issued a federal gambling device stamp or a federal wagering stamp for the current tax period?

**Bond and Fee Requirements:**

- Yes  No  Is a waiver of the fidelity bond provision being requested of the Board of Trustees?
- Yes  No  If yes, has the organization provided evidence of unanimous vote in favor of the fidelity bond waiver?
- Yes  No  If no, is the fidelity bond attached to this application?





Village of Lake in the Hills
Bond Waiver Request Page

The Village Code requires that the raffle manager shall give a fidelity bond in an amount not less than the anticipated gross receipts for each raffle. The bond shall be in favor of the organization and conditioned upon his/her honesty in the performance of his/her duties. The bond shall also provide that notice is given in writing to the Village of Lake in the Hills not less than thirty (30) days prior to its cancellation.

The Village president and Board of Trustees is authorized to waive the requirement for a bond by including a waiver provision the license issued, provided that by a unanimous vote of the members of the licensed organization, such a waiver is requested. Such a request does not guarantee that a waiver will be granted by the Village of Lake in the Hills; however, if your organization would like to request a waiver of the bonding requirement, please complete the following Bond Waiver Request. Please be sure to have both signatures notarized.

On the 28 day of September, 2020, the membership of Property Owners Assoc. (Name of Organization)

by unanimous vote requested that the Village of Lake in the Hills waive the fidelity bonding requirement for its raffle to be conducted on the attached raffle application.

Signed: [Signature] Presiding Officer

Signed: [Signature] Secretary

Subscribed and sworn to before me this

28 day of September 2020

[Signature] Notary Public



NOT FOR PROFIT STATEMENT

We, the undersigned Presiding Officer and secretary, do hereby attest that Property Owners Association (name of organization) is a bona fide religious, charitable, labor, fraternal, educational, or veteran organization that operates without profit to their members and which have been in existence continuously for a period of five (5) years immediately before making application for a license, and which have been during that entire five (5) year period, a bona fide membership engaged in carrying out their objectives as described on the attached raffle application.

Signed: [Signature] Presiding Officer

Signed: [Signature] Secretary

Subscribed and sworn to before me this

28 day of September, 2020

[Signature] Notary Public





Village of Lake in the Hills
Raffle Affirmation Page

I (we) swear (or affirm) that our organization/club is not-for-profit and that I (we) have never been convicted of any felony and are not disqualified to receive a license by reason of any matter or thing contained in this Section 31.02 of the Lake in the Hills Municipal Code or any other Ordinances of the Village, laws of the State of Illinois or of the United States of America. I also swear that no previous license issued by any state or subdivision of Federal Government has been revoked. I will not violate any of the laws of the State of Illinois or of the United States or any Ordinances of the Village of Lake in the Hills in the conduct of the raffle. I will not allow gambling devises or gambling on the premises where the drawing will be held.

I (we) understand that a fidelity bond in an amount not less than the anticipated gross receipts is needed from the manager unless notice is attached to the application that the club/organization voted, by unanimous vote, to waive such provision.

At the conclusion of the raffles, a report shall be made to the Village of Lake in the Hills as to the gross receipts, expenses and net proceeds from the raffles.

I swear that the statements contained in the application are true and correct to the best of my knowledge and belief.



Handwritten signature of Presiding Officer over a horizontal line.

Presiding Officer

and/or

Handwritten signature of Secretary over a horizontal line.

Secretary

Sworn to before me this 28 day of September, 20 20
Notary Public
[Handwritten signature]

MUNICIPAL CODE SECTION 31.02 TO BE REVIEWED BY APPLICANT

I have read and will comply with Section 31.02 of the Village of Lake in the Hills Municipal Code.

Handwritten signature in blue ink over a horizontal line.
Signature

Handwritten date 9/9/2020 in blue ink over a horizontal line.
Date



# REQUEST FOR BOARD ACTION

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**MEETING DATE:** October 6, 2020

**DEPARTMENT:** Administration

**SUBJECT:** Side Letters of Agreement with SEIU 73 and MAP 90 and 168 in response to Addendum to Personnel Rules and Regulations Section III Benefit Leave

## EXECUTIVE SUMMARY

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Staff is requesting that the Village enter into side letters of agreement with SEIU 73 and MAP 90 and 168. These agreements are required in order for the approved addendum to the Personnel Rules and Regulations Section III Benefit Leave to apply to bargaining unit employees. This addendum was previously approved by the Village Board on August 27, 2020. The agreements have been reviewed and fully executed by representatives of both unions.

## FINANCIAL IMPACT

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None

## ATTACHMENTS

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1. Side Letter of Agreement SEIU 73
2. Side Letter of Agreement MAP 90
3. Side Letter of Agreement MAP 168

## RECOMMENDED MOTION

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Motion to approve the side letter of agreement with SEIU 73 and MAP 90 and 168.

## SIDE LETTER OF AGREEMENT

### BETWEEN SERVICE EMPLOYEES INTERNATIONAL UNION LOCAL 73, AND THE VILLAGE OF LAKE IN THE HILLS

This Side Letter of Agreement (Side Letter) is entered into by and between Service Employees International Union Local 73 (Union), and the Village of Lake in the Hills, an Illinois municipal corporation (Village).

WHEREAS, the parties recognize that COVID-19 has created significant disruptions to operations, scheduling, and employees' ability to utilize vacation time, and

WHEREAS, the Village's Personnel Rules & Regulations are being temporarily amended to allow employees to carryover eighty (80) hours of vacation time from the calendar year 2020 into the calendar year 2021, subject to management approval, to allow for increased flexibility of vacation scheduling should an employee not be able to utilize enough time in 2020; and

WHEREAS, employees in the Union are otherwise bound by the Collective Bargaining Agreement (CBA) between the parties (January 1, 2018-December 31, 2022) and would not be allowed to utilize the additional carryover vacation time without entering this Side Letter.

NOW THEREFORE, the parties agree as follows:

1. The preamble clauses are hereby adopted and incorporated into the substantive terms of this Side Letter as if fully restated herein.
2. The parties agree that the "Addendum to Personnel Rules and Regulations Section III Benefit Leave" (Addendum) as approved by the Village Board on August 27, 2020 is hereby adopted into the CBA, which shall temporarily supersede CBA Section XXII.1.B, and only specifically that Union employees may carryover up to eighty (80) hours of vacation time, instead of five (5) days, from 2020 into 2021, subject to the Public Works Director or his designee's approval, and as otherwise stated in the Addendum.
3. The parties agree that the Addendum shall not create a past practice or right for an employee in the Union to carryover additional vacation time.
4. The parties agree that there is full and fair consideration by entering this Side Letter and that the intention of this Side Letter is to otherwise maintain, in full force and effect, the CBA as it exists and that no section or provision of the CBA shall otherwise be affected.

Service Employees International Union, Local 73      Village of Lake in the Hills

By: Chris White

By: \_\_\_\_\_

Its: Christopher White, SEIU 73 rep

Russ Ruzanski, President  
Village of Lake in the Hills

Date: 9/23/20

Date: \_\_\_\_\_



## SIDE LETTER OF AGREEMENT

### BETWEEN METROPOLITAN ALLIANCE OF POLICE, LAKE IN THE HILLS POLICE, CHAPTER 90, AND THE VILLAGE OF LAKE IN THE HILLS

This Side Letter of Agreement (Side Letter) is entered into by and between Metropolitan Alliance of Police, Lake in the Hills Police, Chapter 90 (Union), and the Village of Lake in the Hills, an Illinois municipal corporation (Village).

WHEREAS, the parties recognize that COVID-19 has created significant disruptions to operations, scheduling, and employees' ability to utilize vacation time, and

WHEREAS, the Village's Personnel Rules & Regulations are being temporarily amended to allow employees to carryover eighty (80) hours of vacation time from the calendar year 2020 into the calendar year 2021, subject to management approval, to allow for increased flexibility of vacation scheduling should an employee not be able to utilize enough time in 2020; and

WHEREAS, employees in the Union are otherwise bound by the Collective Bargaining Agreement (CBA) between the parties (May 1, 2018-April 30, 2021) and would not be allowed to utilize the additional carryover vacation time without entering this Side Letter.

NOW THEREFORE, the parties agree as follows:

1. The preamble clauses are hereby adopted and incorporated into the substantive terms of this Side Letter as if fully restated herein.
2. The parties agree that the "Addendum to Personnel Rules and Regulations Section III Benefit Leave" (Addendum) as approved by the Village Board on August 27, 2020 is hereby adopted into the CBA, which shall temporarily supersede CBA Section 9.4 "Vacation Carryover" so that Union employees may carryover up to eighty (80) hours of vacation time, instead of forty (40) hours, from 2020 into 2021, subject to Chief of Police or his designee's approval, and as otherwise stated in the Addendum.
3. The parties agree that the Addendum shall not create a past practice or right for an employee in the Union to carryover additional vacation time.
4. The parties agree that there is full and fair consideration by entering this Side Letter and that the intention of this Side Letter is to otherwise maintain, in full force and effect, the CBA as it exists and that no section or provision of the CBA shall otherwise be affected.

Metropolitan Alliance of Police, Chapter 90

By: K-L Sh

Its: President

Date: 9/28/2020

Village of Lake in the Hills

By: \_\_\_\_\_

Russ Ruzanski, President  
Village of Lake in the Hills

Date: \_\_\_\_\_

**SIDE LETTER OF AGREEMENT**

**BETWEEN METROPOLITAN ALLIANCE OF POLICE, LAKE IN THE HILLS  
POLICE, CHAPTER 168,  
AND THE VILLAGE OF LAKE IN THE HILLS**

This Side Letter of Agreement (Side Letter) is entered into by and between Metropolitan Alliance of Police, Lake in the Hills Police, Chapter 168 (Union), and the Village of Lake in the Hills, an Illinois municipal corporation (Village).

WHEREAS, the parties recognize that COVID-19 has created significant disruptions to operations, scheduling, and employees' ability to utilize vacation time, and

WHEREAS, the Village's Personnel Rules & Regulations are being temporarily amended to allow employees to carryover eighty (80) hours of vacation time from the calendar year 2020 into the calendar year 2021, subject to management approval, to allow for increased flexibility of vacation scheduling should an employee not be able to utilize enough time in 2020; and

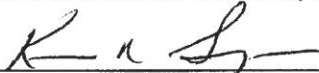
WHEREAS, employees in the Union are otherwise bound by the Collective Bargaining Agreement (CBA) between the parties, in effect, and would not be allowed to utilize the additional carryover vacation time without entering this Side Letter.

NOW THEREFORE, the parties agree as follows:

1. The preamble clauses are hereby adopted and incorporated into the substantive terms of this Side Letter as if fully restated herein.
2. The parties agree that the "Addendum to Personnel Rules and Regulations Section III Benefit Leave" (Addendum) as approved by the Village Board on August 27, 2020 is hereby adopted into the CBA, which shall temporarily supersede CBA Section 9.4 "Vacation Carryover" so that Union full-time employees may carryover up to eighty (80) hours of vacation time, instead of five (5) days, from 2020 into 2021, subject to Chief of Police or his designee's approval, and as otherwise stated in the Addendum.
3. The parties agree that the Addendum shall not create a past practice or right for an employee in the Union to carryover additional vacation time.
4. The parties agree that there is full and fair consideration by entering this Side Letter and that the intention of this Side Letter is to otherwise maintain, in full force and effect, the CBA as it exists and that no section or provision of the CBA shall otherwise be affected.

Metropolitan Alliance of Police, Chapter 168

Village of Lake in the Hills

By: 

By: \_\_\_\_\_

Its: President

Russ Ruzanski, President  
Village of Lake in the Hills

Date: 9/28/2020

Date: \_\_\_\_\_



# REQUEST FOR BOARD ACTION

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**MEETING DATE:** October 6, 2020

**DEPARTMENT:** Finance

**SUBJECT:** Village of Lake in the Hills Police Pension Fund Municipal Compliance Report for the Fiscal Year Ended December 31, 2019

## EXECUTIVE SUMMARY

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Attached is the Lake in the Hills Police Pension Fund Municipal Compliance Report (MCR) for the Fiscal Year Ended December 31, 2019. This report is on the condition of the fund at the end of the most recently completed fiscal year and is required to be presented prior to the Village board levying taxes for the year on behalf of the police pension fund.

The MCR reports on nine items; **1.** total cash and investments, **2.** estimated receipts during the next fiscal year, **3.** estimated amount required during the next fiscal year to pay all pensions and obligations and to meet the annual requirements of the fund, **4.** total net income received from investment of assets and other investment information, **5.** total number of active employees, **6.** total amount disbursed in benefits during the fiscal year, **7.** the funded ratio of the fund, **8.** the unfunded liability of the fund, **9.** a copy of the investment policy. The Police Pension Board approved the MCR at its meeting on July 20, 2020.

## FINANCIAL IMPACT

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- Total cash and investments and net position of the fund increased 21.71% or \$6,101,113 from the prior year
- Investment earnings of the fund increased 21.72% or \$411,900 from the prior year
- The recommended Village contribution via the property tax levy increased 9.10% or \$136,355 from the prior year
- Actual investment returns of the fund increased 22.85% from the prior year to 17.97% from -4.88%
- Funded ratio of the fund increased 1.11% from the prior year to 76.56% from 75.45%
- The unfunded liability of the fund increased 1.75% or \$172,918 from the prior year to \$10.06 million from \$9.89 million

## ATTACHMENTS

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1. Village of Lake in the Hills Police Pension Fund Municipal Compliance Report for Fiscal Year Ended December 31, 2019

## RECOMMENDED MOTION

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Motion to accept and place on file the Village of Lake in the Hills Police Pension Fund Municipal Compliance Report for the Fiscal Year Ended December 31, 2019.



October 2, 2020

Members of the Pension Board of Trustees  
Lake in the Hills Police Pension Fund  
Lake in the Hills, Illinois

Enclosed please find a copy of your Municipal Compliance Report for the Lake in the Hills Police Pension Fund for the fiscal year ended December 31, 2019. We have prepared the report with the most recent information available at our office. Should you have more current information, or notice any inaccuracies, we are prepared to make any necessary revisions and return them to you.

The President and Secretary of the Pension Fund are required to sign the report on page 3. If not already included with the enclosed report, please also include a copy of the Pension Fund's most recent investment policy.

The signed Public Act 95-0950 - District Compliance Report must be provided to the District before the tax levy is filed on the last Tuesday in December. We are sending the report via email to promote an environmentally-friendly work atmosphere.

□

If you have any questions regarding this report, please contact your Client Manager or PSA.

Respectfully submitted,

*Lauterbach & Amen, LLP*

LAUTERBACH & AMEN, LLP



THE VILLAGE OF LAKE IN THE HILLS,  
ILLINOIS

POLICE PENSION FUND

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PUBLIC ACT 95-0950

MUNICIPAL COMPLIANCE REPORT

FOR THE FISCAL YEAR ENDED

DECEMBER 31, 2019

**THE VILLAGE OF LAKE IN THE HILLS, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending December 31, 2019**

The Pension Board certifies to the Board of Trustees of the Village of Lake in the Hills, Illinois on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

- 1) The total cash and investments, including accrued interest, of the fund at market value and the total net position of the Pension Fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Total Cash and Investments (including accrued interest)	<u>\$34,197,793</u>	<u>\$28,096,680</u>
Total Net Position	<u>\$34,188,258</u>	<u>\$28,011,169</u>

- 2) The estimated receipts during the next succeeding fiscal year from deductions from the salaries of police officers and from other sources:

Estimated Receipts - Employee Contributions	<u>\$408,400</u>
Estimated Receipts - All Other Sources	
Investment Earnings	<u>\$2,308,400</u>
Municipal Contributions	<u>\$1,634,382</u>

- 3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 3 of the Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 3-125 and 3-127:

(a) Pay all Pensions and Other Obligations	<u>\$1,476,000</u>
(b) Annual Requirement of the Fund as Determined by:	
Illinois Department of Insurance	<u>N/A</u>
Private Actuary - Lauterbach & Amen, LLP	
Recommended Municipal Contribution	<u>\$1,634,382</u>
Statutory Municipal Contribution	<u>\$1,120,710</u>

**THE VILLAGE OF LAKE IN THE HILLS, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending December 31, 2019**

- 4) The total net income received from investment of assets along with the assumed investment return and actual investment return received by the fund during its most recently completed fiscal year compared to the total net income, assumed investment return, and actual investment return received during the preceding fiscal year:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Net Income Received from Investment of Assets	<u>\$5,598,502</u>	<u>(\$1,388,420)</u>
Assumed Investment Return		
Illinois Department of Insurance	<u>N/A</u>	<u>6.50%</u>
Private Actuary - Lauterbach & Amen, LLP	<u>6.75%</u>	<u>6.75%</u>
Actual Investment Return	<u>17.97%</u>	<u>(4.88)%</u>

- 5) The total number of active employees who are financially contributing to the fund:

Number of Active Members	<u>39</u>
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- 6) The total amount that was disbursed in benefits during the fiscal year, including the number of and total amount disbursed to (i) annuitants in receipt of a regular retirement pension, (ii) recipients being paid a disability pension, and (iii) survivors and children in receipt of benefits:

	<u>Number of</u>	<u>Total Amount Disbursed</u>
(i) Regular Retirement Pension	<u>12</u>	<u>\$727,879</u>
(ii) Disability Pension	<u>7</u>	<u>\$317,744</u>
(iii) Survivors and Child Benefits	<u>0</u>	<u>\$0</u>
Totals	<u>19</u>	<u>\$1,045,623</u>

**THE VILLAGE OF LAKE IN THE HILLS, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending December 31, 2019**

7) The funded ratio of the fund:

	<u>Current Fiscal Year</u>	<u>Preceding Fiscal Year</u>
Illinois Department of Insurance	N/A	78.40%
Private Actuary - Lauterbach & Amen, LLP	76.56%	75.45%

8) The unfunded liability carried by the fund, along with an actuarial explanation of the unfunded liability:

Unfunded Liability:

Illinois Department of Insurance	N/A
Private Actuary - Lauterbach & Amen, LLP	\$10,059,234

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 the actuarial assumptions employed in the valuation. The unfunded accrued liability is the excess of the accrued liability over the actuarial value of assets.

9) The investment policy of the Pension Board under the statutory investment restrictions imposed on the fund.

Investment Policy - See Attached.

Please see Notes Page attached.

CERTIFICATION OF MUNICIPAL POLICE  
PENSION FUND COMPLIANCE REPORT

The Board of Trustees of the Pension Fund, based upon information and belief, and to the best of our knowledge, hereby certify pursuant to §3-143 of the Illinois Pension Code 40 ILCS 5/3-143, that the preceding report is true and accurate.

Adopted this \_\_\_\_\_ day of \_\_\_\_\_, 2020

President \_\_\_\_\_ Date \_\_\_\_\_

Secretary \_\_\_\_\_ Date \_\_\_\_\_



**THE VILLAGE OF LAKE IN THE HILLS, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending December 31, 2019**

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INDEX OF ASSUMPTIONS

- 1) Total Cash and Investments - as Reported at Market Value in the Audited Financial Statements for the Years Ended December 31, 2019 and 2018.

Total Net Position - as Reported in the Audited Financial Statements for the Years Ended December 31, 2019 and 2018.

- 2) Estimated Receipts - Employee Contributions as Reported in the Audited Financial Statements for the Year Ended December 31, 2019 plus 4.96% Increase (Actuarial Salary Increase Assumption) Rounded to the Nearest \$100.

Estimated Receipts - All Other Sources:

Investment Earnings - Cash and Investments as Reported in the Audited Financial Statements for the Year Ended December 31, 2019, times 6.75% (Actuarial Investment Return Assumption) Rounded to the Nearest \$100.

- 3) (a) Pay all Pensions and Other Obligations - Total Non-Investment Deductions as Reported in the Audited Financial Statements for the Year Ended December 31, 2019, plus a 25% Increase, Rounded to the Nearest \$100.

(b) Annual Requirement of the Fund as Determined by:

Illinois Department of Insurance - No December 31, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Lauterbach & Amen, LLP:

Recommended Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the December 31, 2019 Actuarial Valuation.

Statutorily Required Amount of Tax Levy as Reported by Lauterbach & Amen, LLP in the December 31, 2019 Actuarial Valuation.

**THE VILLAGE OF LAKE IN THE HILLS, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending December 31, 2019**

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INDEX OF ASSUMPTIONS - Continued

- 4) Net Income Received from Investment of Assets - Investment Income (Loss) net of Investment Expense, as Reported in the Audited Financial Statements for the Years Ended December 31, 2019 and 2018.

Assumed Investment Return:

Illinois Department of Insurance - Preceding Fiscal Year Interest Rate Assumption as Reported in the December 31, 2018 Actuarial Valuation. No December 31, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Interest Rate Assumption as Reported in the Lauterbach & Amen, LLP, December 31, 2019 and 2018 Actuarial Valuations.

Actual Investment Return -Net Income Received from Investments as Reported Above as a Percentage of the Average of the Beginning and Ending Balances of the Fiscal Year Cash Investments, Excluding Net Investment Income, Gains, and Losses for the Fiscal Year Return Being calculated, as Reported in the Audited Financial Statements for the Fiscal Years Ended December 31, 2019 and 2018.

- 5) Number of Active Members - Illinois Department of Insurance Annual Statement for December 31, 2019 - Schedule P.
- 6) (i) Regular Retirement Pension - Illinois Department of Insurance Annual Statement for December 31, 2019 - Schedule P for Number of Participants and Expense page 1 for Total Amount Disbursed.
- (ii) Disability Pension - Same as above.
- (iii) Survivors and Child Benefits - Same as above.

**THE VILLAGE OF LAKE IN THE HILLS, ILLINOIS  
POLICE PENSION FUND**

**Public Act 95-950 - Municipal Compliance Report  
For the Fiscal Year Ending December 31, 2019**

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INDEX OF ASSUMPTIONS - Continued

7) The funded ratio of the fund:

Illinois Department of Insurance - Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the December 31, 2018 Actuarial Valuation. No December 31, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Current and Preceding Fiscal Year Net Present Assets as a percentage of Total Assets as Reported in the Lauterbach & Amen, LLP, December 31, 2019 and December 31, 2018 Actuarial Valuations.

8) Unfunded Liability:

Illinois Department of Insurance - Deferred Asset (Unfunded Accrued Liability) - No December 31, 2019 Actuarial Valuation available at the time of this report.

Private Actuary - Deferred Asset (Unfunded Accrued Liability) as Reported by Lauterbach & Amen, LLP in the December 31, 2019 Actuarial Valuation.



# REQUEST FOR BOARD ACTION

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**MEETING DATE:** October 6, 2020  
**DEPARTMENT:** Finance  
**SUBJECT:** Village of Lake in the Hills Police Pension Fund 2020 Property Tax Levy Request

## EXECUTIVE SUMMARY

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The Village of Lake in the Hills Police Pension Fund Board is requesting the Village Board to levy an amount sufficient to produce the sum of \$1,634,382. This represents an increase of \$136,355 or 9.10% from the prior year levy on behalf of the Police Pension Fund. A significant portion of this increase (63,631 or 47%) is due to plan changes during the 2020 fiscal year.

The Village and Police Pension Fund jointly hire an Actuary, Lauterbach & Amen LLP, to perform an annual valuation of the Police Pension Fund. In accordance with the actuarial valuation results the Actuary has determined the above amount to levy. This can be found on page 4 of the attached report titled Actuarial Valuation as of January 1, 2020.

Since the Police Pension Fund cannot legally levy a property tax, the Village incorporates the funds requirements into its levy in order to support the retirement benefits of the Police Pension Fund and Police Department personnel.

The entire property tax levy for the Village will be presented to the Village Board for approval later this year.

## FINANCIAL IMPACT

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The recommended actuarial contribution of \$1,634,382 from the Village to the Police Pension Fund through levying property taxes increased \$136,355 from the prior year amount of \$1,498,027.

## ATTACHMENTS

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1. 2020 Tax Levy Request Memorandum from the Police Pension Fund
2. Historical Graph of the Total Property Tax Levy for Tax Years 2011 - 2020
3. Actuarial Valuation Report as of January 1, 2020 prepared by Lauterbach & Amen, LLP

## RECOMMENDED MOTION

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Motion to accept the Village of Lake in the Hills Police Pension Fund's request to levy \$1,634,382 for property tax levy year 2020.



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# MEMORANDUM

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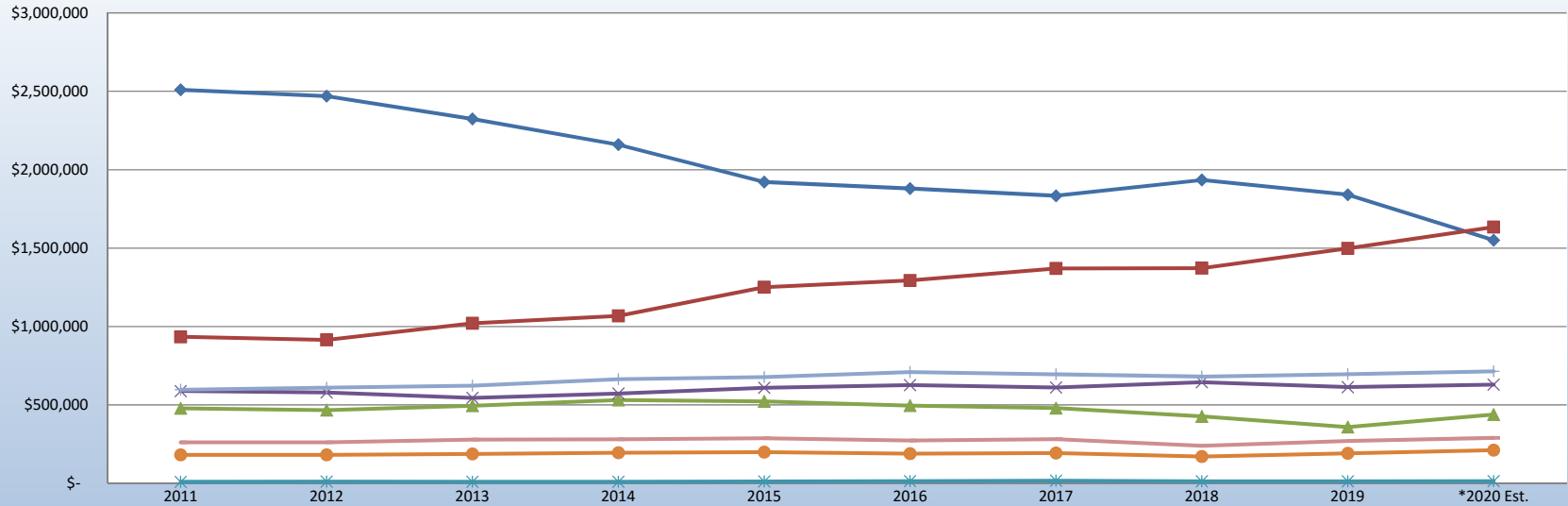
**TO:** Village President and Board of Trustees  
**FROM:** Stan W. Helgerson, Vice President Lake In The Hills Police Pension Fund  
**DATE:** April 14, 2020  
**RE:** 2020 Tax Levy Request

The Police Pension Fund Board is hereby requesting that the Village Board levy \$1,634,382 for the Police Pension Fund. The amount was determined by an actuary that was jointly hired by the Village and the Pension Board.

Thank you for your consideration.

cc: Lake In The Hills Pension Board

### Property Tax Levy History



	2011	2012	2013	2014	2015	2016	2017	2018	2019	*2020 Est.
Corporate	\$2,509,310	\$2,469,410	\$2,323,904	\$2,159,665	\$1,921,395	\$1,880,168	\$1,833,865	\$1,934,214	\$1,840,604	\$1,550,351
Police Pension	\$934,231	\$914,685	\$1,020,782	\$1,067,870	\$1,250,913	\$1,293,482	\$1,370,184	\$1,372,120	\$1,498,027	\$1,634,382
IMRF	\$477,906	\$466,652	\$494,472	\$531,545	\$522,656	\$495,474	\$479,723	\$426,769	\$359,083	\$438,403
Police Protection	\$588,570	\$579,214	\$545,124	\$572,380	\$609,588	\$626,722	\$611,282	\$644,742	\$613,535	\$629,139
Audit	\$9,723	\$10,864	\$10,114	\$10,384	\$12,453	\$13,850	\$16,626	\$13,000	\$13,260	\$13,640
Liability Insurance	\$182,104	\$181,772	\$187,210	\$194,872	\$199,470	\$189,718	\$193,228	\$170,814	\$191,250	\$211,250
Social Security	\$596,745	\$609,742	\$622,662	\$664,065	\$677,413	\$709,094	\$695,310	\$680,672	\$695,988	\$714,582
Workers Comp	\$261,691	\$261,211	\$279,360	\$280,914	\$287,804	\$273,180	\$281,506	\$239,416	\$270,000	\$290,000

Tax Year	Fiscal Year	Corporate	IMRF	Police Protection	Police Pension	Audit	Liability Insurance	Social Security	Workers Comp	Total Levy	% Increase/Decrease
2010	2011	\$ 2,629,560	\$ 469,256	\$ 616,784	\$ 962,256	\$ 9,682	\$ 168,706	\$ 595,820	\$ 175,763	\$ 5,627,827	0.0%
2011	2012	\$ 2,509,310	\$ 477,906	\$ 588,570	\$ 934,231	\$ 9,723	\$ 182,104	\$ 596,745	\$ 261,691	\$ 5,560,280	-1.2%
2012	2013	\$ 2,469,410	\$ 466,652	\$ 579,214	\$ 914,685	\$ 10,864	\$ 181,772	\$ 609,742	\$ 261,211	\$ 5,493,550	-1.2%
2013	2014	\$ 2,323,904	\$ 494,472	\$ 545,124	\$ 1,020,782	\$ 10,114	\$ 187,210	\$ 622,662	\$ 279,360	\$ 5,483,629	-0.2%
2014	2015	\$ 2,159,665	\$ 531,545	\$ 572,380	\$ 1,067,870	\$ 10,384	\$ 194,872	\$ 664,065	\$ 280,914	\$ 5,481,695	0.0%
2015	2016	\$ 1,921,395	\$ 522,656	\$ 609,588	\$ 1,250,913	\$ 12,453	\$ 199,470	\$ 677,413	\$ 287,804	\$ 5,481,691	0.0%
2016	2017	\$ 1,880,168	\$ 495,474	\$ 626,722	\$ 1,293,482	\$ 13,850	\$ 189,718	\$ 709,094	\$ 273,180	\$ 5,481,688	0.0%
2017	2018	\$ 1,833,865	\$ 479,723	\$ 611,282	\$ 1,370,184	\$ 16,626	\$ 193,228	\$ 695,310	\$ 281,506	\$ 5,481,723	0.0%
2018	2019	\$ 1,934,214	\$ 426,769	\$ 644,742	\$ 1,372,120	\$ 13,000	\$ 170,814	\$ 680,672	\$ 239,416	\$ 5,481,747	0.0%
2019	2020	\$ 1,840,604	\$ 359,083	\$ 613,535	\$ 1,498,027	\$ 13,260	\$ 191,250	\$ 695,988	\$ 270,000	\$ 5,481,747	0.0%
<b>*2020 Est. *2021</b>		\$ 1,550,351	\$ 438,403	\$ 629,139	\$ 1,634,382	\$ 13,640	\$ 211,250	\$ 714,582	\$ 290,000	\$ 5,481,747	
<b>% Inc/(Dec)</b>		<b>-30%</b>	<b>-23%</b>	<b>-1%</b>	<b>56%</b>	<b>37%</b>	<b>13%</b>	<b>17%</b>	<b>54%</b>	<b>-3%</b>	
<b>\$ Inc/(Dec)</b>		<b>\$ (788,956)</b>	<b>\$ (110,173)</b>	<b>\$ (3,249)</b>	<b>\$ 535,771</b>	<b>\$ 3,578</b>	<b>\$ 22,544</b>	<b>\$ 100,168</b>	<b>\$ 94,237</b>	<b>\$ (146,080)</b>	

\*Estimated Tax Levy amounts that will be considered by the Board of Trustees in November 2019 and Approved in December 2019 to fund Fiscal Year 2020.

Actuarial Funding Report

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LAKE IN THE HILLS POLICE  
PENSION FUND

Actuarial Valuation  
as of January 1, 2020

For the Contribution Year January 1, 2020 to December 31, 2020

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***LAUTERBACH & AMEN, LLP***

# Actuarial Valuation – Funding Recommendation

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## Lauterbach & Amen, LLP

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CERTIFIED PUBLIC ACCOUNTANTS

### LAKE IN THE HILLS POLICE PENSION FUND

**Contribution Year Ending: December 31, 2020**

Actuarial Valuation Date: January 1, 2020

Utilizing Data as of December 31, 2019

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**Submitted by:**

Lauterbach & Amen, LLP  
668 N. River Road  
Naperville, IL 60563  
Phone: 630.393.1483  
[www.lauterbachamen.com](http://www.lauterbachamen.com)

**Contact:**

Todd A. Schroeder  
Director  
April 9, 2020

***LAUTERBACH & AMEN, LLP***





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## ACTUARIAL CERTIFICATION

This report documents the results of the Actuarial Valuation for the Lake in the Hills Police Pension Fund. The information was prepared for use by the Lake in the Hills Police Pension Fund and the Village of Lake in the Hills, Illinois for determining the Recommended Contributions, under the selected Funding Policy and Statutory Minimum guidelines, for the Contribution Year January 1, 2020 to December 31, 2020. It is not intended or suitable for other purposes. Determinations for purposes other than the Employer's Actuarial Recommended Contribution may be significantly different from the results herein.

The results in this report are based on the census data and financial information submitted by the Village of Lake in the Hills, Illinois, and may include results from the prior Actuary. We did not prepare the Actuarial Valuations for the years prior to January 1, 2016. Those valuations were prepared by the prior Actuary whose reports have been furnished to us, and our disclosures are based on those reports. An audit of the prior Actuary's results was not performed, but high-level reviews were completed for general reasonableness, as appropriate, based on the purpose of this valuation. The accuracy of the results is dependent on the precision and completeness of the underlying information.

In addition, the results of the Actuarial Valuation involve certain risks and uncertainty as they are based on future assumptions, market conditions, and events that may never materialize as assumed. For this reason, certain assumptions and future results may be materially different than those presented in this report. See the *Management Summary* section of this report for a more detailed discussion of the Defined Benefit Plan Risks, as well as the limitations of this Actuarial Valuation on assessing those risks. We are not aware of any known events subsequent to the Actuarial Valuation Date, which are not reflected in this report but should be valued, that may materially impact the results.

The valuation results summarized in this report involve actuarial calculations that require assumptions about future events. The Village of Lake in the Hills, Illinois selected certain assumptions, while others were the result of guidance and/or judgment from the Plan's Actuary or Advisors. We believe that the assumptions used in this valuation are reasonable and appropriate for the purposes for which they have been used. The selected assumptions represent our best estimate of the anticipated long-term experience of the Plan, and meet the guidelines set forth in the Actuarial Standards of Practice.





To the best of our knowledge, all calculations are in accordance with the applicable funding requirements, and the procedures followed and presentation of results conform to generally accepted actuarial principles and practices as prescribed by the Actuarial Standards Board. The undersigned consultants of Lauterbach & Amen, LLP, with actuarial credentials, meet the Qualification Standards of the American Academy of Actuaries to render this Actuarial Certification. There is no relationship between the Village of Lake in the Hills, Illinois and Lauterbach & Amen, LLP that impairs our objectivity.

Respectfully Submitted,  
LAUTERBACH & AMEN, LLP

Todd A. Schroeder, ASA, FCA, EA, MAAA

Robert L. Rietz, Jr., FCA, EA, MAAA





## MANAGEMENT SUMMARY

Recommended Contribution  
Funded Status  
Management Summary – Comments and Analysis  
Actuarial Recommended Contribution – Reconciliation

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## MANAGEMENT SUMMARY

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### RECOMMENDED CONTRIBUTION

	Prior Valuation	Current Valuation
Recommended Contribution	\$1,498,027	\$1,634,382
Expected Payroll	\$3,758,320	\$3,883,196
Recommended Contribution as a Percent of Expected Payroll	39.86%	42.09%

*The Recommended Contribution has Increased by \$136,355 from the Prior Valuation.*

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### FUNDED STATUS

	Prior Valuation	Current Valuation
Normal Cost	\$952,845	\$1,034,205
Market Value of Assets	\$28,011,169	\$34,188,258
Actuarial Value of Assets	\$30,390,516	\$32,852,080
Actuarial Accrued Liability	\$40,276,832	\$42,911,314
Unfunded Actuarial Accrued Liability	\$9,886,316	\$10,059,234
Percent Funded		
Actuarial Value of Assets	75.45%	76.56%
Market Value of Assets	69.55%	79.67%

*The Percent Funded has Increased by 1.11% on an Actuarial Value of Assets Basis.*





## MANAGEMENT SUMMARY

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### MANAGEMENT SUMMARY – COMMENTS AND ANALYSIS

#### Contribution Results

The Recommended Contribution is based on the selected Funding Policy and methods that are outlined in the *Actuarial Funding Policies* section of this report.

The Illinois State Statutes for Pension Funds contain parameters that are used to determine the Statutory Minimum Contribution to a public Pension Fund. Those parameters and the resulting Statutory Minimum Contribution are found in the *Illinois Statutory Minimum Contribution* section of this report.

“Contribution Risk” is defined by the Actuarial Standards of Practice as the potential for actual future contributions to deviate from expected future contributions. For example, when actual contributions are not made in accordance to the Plan’s Funding Policy, or when future experience deviates materially from assumed. While it is essential for the Actuary and Plan Sponsor to collaborate on implementing a sound and financially feasible Funding Policy, it is important to note that the Actuary is not required, and is not in the position to, evaluate the ability or willingness of the Plan Sponsor to make the Recommended Contribution under the selected Funding Policy.

As a result, while Contribution Risk may be a significant source of risk for the Plan, this Actuarial Valuation makes no attempt to assess the impact of future contributions falling short of those recommended under the selected Funding Policy. Notwithstanding the above, see the *Actuarial Recommended Contribution – Reconciliation* section of this report for the impact on the current Recommended Contribution of any contribution shortfalls or excesses from the prior year.

#### Defined Benefit Plan Risks

##### *Asset Growth:*

Pension funding involves preparing Fund assets to pay for benefits when Members retire. During their working careers, assets grow with contributions and investment earnings; and then, the Pension Fund distributes assets in retirement. Based on the Plan’s current mix of Members and Funded Status, the Plan should experience positive asset growth, on average, if the Recommended Contributions are made and expected investment earnings come in. In the current year, the Fund asset growth was positive by approximately \$6,200,000.

Asset growth is important in the long-term. Long-term cash flow out of the Pension Fund is primarily benefit payments, and expenses are a smaller portion. The Plan should monitor the impact of expected benefit payments on future asset growth. In the next 5 years, benefit payments are anticipated to increase 75-80%, or approximately \$790,000. In the next 10 years, the expected increase in benefit payments is 170-175%, or approximately \$1,800,000. The estimated increases in benefit payments are based on the benefits paid to inactive Members during the current year, and does not include any refunds of Member Contributions.



## MANAGEMENT SUMMARY

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Furthermore, Plans' with a large number of inactive Members have an increased "Longevity Risk". Longevity Risk is the possibility that inactive Members may live longer than projected by the Plan's mortality assumption. As shown in the previous paragraph, benefit payments are expected to increase over the next 5-year and 10-year horizons. The projected increases assume that current inactive Members pass away according to the Plan's mortality assumption. To the extent that current inactive Members live longer than expected, the future 5-year and 10-year benefit projections may be larger than the amounts disclosed in the previous paragraph. Higher levels of benefit payments, payable for a longer period of time, may cause a significant strain to the Plan's cash flow, future Recommended Contributions, and may lead to Plan insolvency.

### *Unfunded Liability:*

Unfunded Liability represents the financial shortfall of the Actuarial Value of Assets compared to the Actuarial Accrued Liability. To the extent that Unfunded Liability exists, the Plan is losing potential investment earnings due to the financial shortfall. Contributions towards Unfunded Liability pay for the lost investment earnings, as well as the outstanding unfunded amount. If payments towards Unfunded Liability are not made, the Unfunded Liability will grow.

In the early 1990s, many Pension Funds in Illinois adopted an increasing payment towards Unfunded Liability due to a change in legislation. The initial payment decreased, and future payments are anticipated to increase annually after that. In many situations, payments early on were less than the interest on Unfunded Liability, which means that Unfunded Liability increased even though contributions were made at the recommended level.

The current Recommended Contribution includes a payment towards Unfunded Liability that is approximately \$260,000 greater than the interest on Unfunded Liability. All else being equal, and contributions being made, Unfunded Liability is expected to decrease. The Employer and Fund should anticipate that improvement in the current Percent Funded will be mitigated in the short-term. The Employer and Fund should understand this impact as we progress forward to manage expectations.

### *Actuarial Value of Assets:*

The Pension Fund smooths asset returns that vary from expectations over a 5-year period. The intention over time is that asset returns for purposes of funding recommendations are a combination of several years. The impact is intended to smooth out the volatility of Recommended Contributions over time, but not necessarily increase or decrease the level of contributions over the long-term.

When asset returns are smoothed, there are always gains or losses on the Market Value of Assets that are going to be deferred for current funding purposes, and recognized in future years. Currently, the Pension Fund is deferring approximately \$1,300,000 in gains on the Market Value of Assets. These are asset gains that will be recognized in upcoming periods, independent of the future performance of the Market Value of Assets.



## MANAGEMENT SUMMARY

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### *Cash Flow Risk:*

Assets, liabilities, and Funded Status are good metrics to monitor over time to assess the progress of the Funding Policy. However, these metrics may provide limited forward-looking insights. Specifically, the maturity of a Pension Fund can pose certain risks that often cannot be assessed with a point-in-time metric such as Percent Funded.

For example, two different Pension Funds could have the same Percent Funded, but have completely different risk profiles. One Fund might mostly cover active Members with little to no Members in pay status, whereas a second Fund might mostly cover inactive Members with a significant level of annual benefit payments. The latter Fund has a greater “Cash Flow Risk”, i.e. a more significant chance that negative cash flows could lead to a deteriorating, rather than improving, Percent Funded over time.

It is important to note that, in general, positive net cash flows are good, but also need to be sufficient to cover the growth in the liabilities (i.e. the Normal Cost as well as interest on the Actuarial Accrued Liability). Typically, when cash flows are assumed to be insufficient to cover the growth in liabilities, the Percent Funded will decline, while future Recommended Contributions will increase.

### *Benefit Payment Risk:*

Ideally, Plans’ in a sound financial position will have the ratio of annual benefits payments to the Market Value of Assets to be less than the Expected Rate of Return on Investments assumption (i.e. 6.75%). Theoretically, in this case it can be considered that investment returns will fully cover the annual benefit payments, and therefore, all Employer and Member Contributions made to the Fund will be used to pay for future benefit accruals and pay down the existing Unfunded Liability. To the extent that the ratio of the annual benefit payments to the Market Value of Assets increases to above the Expected Rate of Return on Investments assumption, the Plan may experience some additional risks, such as the need to keep assets in more liquid investments, inability to pay down Unfunded Liability, and may lead to Plan insolvency.

As of the Valuation Date, the Lake in the Hills Police Pension Fund has a ratio of benefit payments to the Market Value of Assets of 3.06%. In this case, the Plan is currently in a sound financial position and has a reduced amount of Benefit Payment Risk and Cash Flow Risk. It would be expected that adherence to the current Funding Policy would lead to an increasing Percent Funded.

### Fund Assets

The results in this report are based on the assets held in the Pension Fund. Assets consist of funds held for investment and for benefit payments as of the Actuarial Valuation Date. In addition, assets may be adjusted for other events representing dollars that are reasonably expected to be paid out from the Pension Fund or deposited into the Pension Fund after the Actuarial Valuation Date as well.



## MANAGEMENT SUMMARY

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The current Fund assets are audited.

The Actuarial Value of Assets under the Funding Policy is equal to the Market Value of Assets, with unexpected gains and losses smoothed over 5 years. More detail on the Actuarial Value of Assets can be found in the *Actuarial Funding Policies* section of this report.

*The Fund  
Assets Used  
in this Report  
are Audited.*



## MANAGEMENT SUMMARY

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### Demographic Data

Demographic factors can change from year to year within the Pension Fund. Changes in this category include hiring new Members, Members retiring or becoming disabled, inactive Members passing away, and other changes. Demographic changes can cause an actuarial gain (contribution that is less than expected compared to the prior year) or an actuarial loss (contribution that is greater than expected compared to the prior year).

Demographic gains and losses occur when the assumptions over the one-year period for Member changes do not meet our long-term expectation. For example, if no Members become disabled during the year, we would expect a liability gain. If more Members become disabled than anticipated during the year, we would expect a liability loss. Generally, we expect short-term fluctuations in demographic experience to create gains or losses of 1%-3% of the Actuarial Accrued Liability in any given year, but to balance out in the long-term.

“Demographic Risk” occurs when Plan demographic experience differs significantly from expected. Similar to Longevity Risk discussed previously, additional risk is created when demographic experience differs from the assumed rates of disability, retirement, or termination. Under the chosen assumptions, actuarial gains and/or losses will always occur, as the assumptions will never be exactly realized. However, the magnitude of the gain and/or loss and its influence on the Recommended Contribution largely depends on the size of the Plan.

Based on the number of active Members in the Plan, the Recommended Contribution has a moderate risk of having a significant increase due to demographic experience. For example, 1 new disabled Member would typically generate a substantial increase to the Actuarial Accrued Liability, which in turn, may increase the Recommended Contribution.

In the current report, the key demographic changes were as follows:

*New Hires:* There were 4 Members of the Fund who were hired during the year. When a Member is admitted to the Pension Fund, the Employer Contribution will increase to reflect the new Member. The increase in the Recommended Contribution in the current year due to the new Member experience is approximately \$35,000.

*Retirement:* There was 1 Member of the Fund who retired during the year. When a Member retires, the Normal Cost will decrease. Any change in the Actuarial Accrued Liability will be considered when determining the amount to pay towards Unfunded Liability each year. The decrease in the Recommended Contribution in the current year due to the retirement experience is approximately \$10,000.

*Termination:* There were 2 non-vested Members of the Fund who terminated employment during the year. Both of the Members took a refund of contributions. The Fund is no longer obligated to pay a benefit to the Members in the future. The decrease in the Recommended Contribution in the current year due to the termination experience is approximately \$16,000.



## MANAGEMENT SUMMARY

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*Mortality:* As inactive Members age and continue to collect benefits, the Fund liability will increase. In the current year, there were 18 inactive Members who maintained their benefit collection status throughout the year. The increase in the Recommended Contribution in the current year due to the mortality experience is approximately \$5,400.

*Salary Increases:* Salary increases were less than anticipated in the current year. Most active Members received an increase of 3.00% or less. This caused a decrease in the Recommended Contribution in the current year of approximately \$44,000.

### Assumption Changes

We performed a comprehensive study of Police Officers and Police Pension Funds in Illinois. We reviewed the results of the study as well as the demographic experience of the Fund. The actuarial assumptions were changed in the current valuation to the rates shown in the *Actuarial Assumptions* section of this report. The assumptions impacted include:

- Inflation Rate (CPI-U)
- Individual Pay Increases
- Retirement Rates
- Termination Rates
- Disability Rates
- Mortality Rates
- Mortality Improvement Rates
- Marital Assumptions

In the current valuation, we have updated the marital assumption for retiree and disabled Members to the actual spousal data.

In the current valuation, we have reviewed the individual pay increases assumption to reflect the Collective Bargaining Agreement between the Village of Lake in the Hills, Illinois and the Metropolitan Alliance of Police, Lake in the Hills Police Chapter #90, for the period May 1, 2018 through April 30, 2021. The year over year step increases dictated by the wage schedule did not change significantly from the prior Collective Bargaining Agreement; however, we have updated the individual pay increases assumption to reflect the inflation rate (CPI-U) change.

The above stated assumption changes were made to better reflect the future anticipated experience of the Fund. See the table on the following page for the impact of these changes on the current valuation.

### Funding Policy Changes

The Funding Policy was not changed from the prior valuation.



## MANAGEMENT SUMMARY

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### Plan Changes

In the current valuation, we have updated the Plan benefit changes under PA-101-0610 (SB 1300), which went into effect on January 1, 2020. These legislative changes reflect modifications to the Tier II Plan Provisions. A summary of the changes is available upon request. The *Summary of Principal Plan Provisions* section of this report has the updated Plan Provisions.





## MANAGEMENT SUMMARY

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### ACTUARIAL RECOMMENDED CONTRIBUTION – RECONCILIATION

Actuarial Accrued Liability is expected to increase each year for both interest for the year and as active Members earn additional service years towards retirement. Similarly, Actuarial Accrued Liability is expected to decrease when the Fund pays benefits to inactive Members.

Contributions are expected to increase as expected pay increases under the Funding Policy for the Fund.

	Actuarial <u>Liability</u>	Recommended <u>Contribution</u>
Prior Valuation	\$ 40,276,832	\$ 1,498,027
Expected Changes	2,638,093	48,686
Initial Expected Current Valuation	<u>\$ 42,914,925</u>	<u>\$ 1,546,713</u>

Other increases or decreases in Actuarial Accrued Liability (key changes noted below) will increase or decrease the amount of Unfunded Liability in the Plan. To the extent that Unfunded Liability increases or decreases unexpectedly, the contribution towards Unfunded Liability will also change unexpectedly.

	Actuarial <u>Liability</u>	Recommended <u>Contribution</u>
Salary Increases Less than Expected	\$ (398,752)	\$ (44,004)
Demographic Changes	161,329	35,045
Assumption Changes	80,604	5,061
Plan Changes	153,208	63,631
Asset Return Less than Expected*	-	18,057
Contributions Less than Expected	-	9,879
Total Actuarial Experience	<u>\$ (3,611)</u>	<u>\$ 87,669</u>
Current Valuation	<u>\$ 42,911,314</u>	<u>\$ 1,634,382</u>

\*The impact on the Recommended Contribution due to asset return is on an Actuarial Value of Assets basis.

Key demographic changes were discussed in the *Demographic Data* section of this report.





## VALUATION OF FUND ASSETS

Market Value of Assets  
Market Value of Assets (Gain)/Loss  
Development of the Actuarial Value of Assets  
Actuarial Value of Assets (Gain)/Loss  
Historical Asset Performance

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## VALUATION OF FUND ASSETS

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### MARKET VALUE OF ASSETS

#### Statement of Assets

	Prior Valuation	Current Valuation
Cash and Cash Equivalents	\$ 624,226	\$ 530,693
Money Market	744,700	385,757
Fixed Income	11,380,315	12,754,595
Mutual Funds	15,260,811	20,439,672
Receivables (Net of Payables)	1,117	77,541
Total Market Value of Assets	<u>\$ 28,011,169</u>	<u>\$ 34,188,258</u>

*The Total Market Value of Assets has Increased by Approximately \$6,177,000 from the Prior Valuation.*

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#### Statement of Changes in Assets

Total Market Value of Assets - Prior Valuation	\$ 28,011,169
Plus - Employer Contributions	1,370,263
Plus - Member Contributions	389,144
Plus - Return on Investments	5,598,502
Less - Benefit Payments and Refunds	(1,135,494)
Less - Other Expenses	<u>(45,326)</u>
Total Market Value of Assets - Current Valuation	<u>\$ 34,188,258</u>

*The Rate of Return on Investments on a Market Value of Assets Basis for the Fund was Approximately 19.61% Net of Administrative Expense.*

The Rate of Return on Investments shown above has been determined as the Return on Investments from the Statement of Changes in Assets, as a percent of the average of the prior and current Market Value of Assets. The Rate of Return on Investments is net of Other Expenses, and has been excluded from the Total Market Value of Assets at the end of the Fiscal Year for this calculation.



## VALUATION OF FUND ASSETS

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### MARKET VALUE OF ASSETS (GAIN)/LOSS

#### Current Year (Gain)/Loss on Market Value of Assets

Total Market Value of Assets - Prior Valuation	\$ 28,011,169
Employer and Member Contributions	1,759,407
Benefit Payments and Refunds	(1,135,494)
Expected Return on Investments	<u>1,911,811</u>
Expected Total Market Value of Assets - Current Valuation	30,546,893
Actual Total Market Value of Assets - Current Valuation	<u>34,188,258</u>
Current Market Value of Assets (Gain)/Loss	<u>\$ (3,641,365)</u>
Expected Return on Investments	\$ 1,911,811
Actual Return on Investments (Net of Expenses)	<u>5,553,176</u>
Current Market Value of Assets (Gain)/Loss	<u>\$ (3,641,365)</u>

*The Actual  
Return on  
Investments on a  
Market Value of  
Assets Basis was  
Greater than  
Expected for the  
Current Year.*

The (Gain)/Loss on the current Market Value of Assets has been determined based on the Expected Rate of Return on Investments as shown in the *Actuarial Assumptions* section of this report.



## VALUATION OF FUND ASSETS

### DEVELOPMENT OF THE ACTUARIAL VALUE OF ASSETS

Total Market Value of Assets - Current Valuation		<u>\$ 34,188,258</u>	
Adjustment for Prior (Gains)/Losses			
	<u>Full Amount</u>		
FYE 2019	\$ (3,641,365)	(2,913,092)	
FYE 2018	3,396,396	2,037,837	
FYE 2017	(1,263,698)	(505,479)	
FYE 2016	222,778	<u>44,556</u>	
Total Deferred (Gain)/Loss		<u>(1,336,178)</u>	
Initial Actuarial Value of Assets - Current Valuation		\$ 32,852,080	
Less Contributions for the Current Year and Interest		-	
Less Adjustment for the Corridor		<u>-</u>	
Total Actuarial Value of Assets - Current Valuation		<u>\$ 32,852,080</u>	

*The Actuarial Value of Assets is Equal to the Market Value of Assets with Unanticipated (Gains)/Losses Recognized Over 5 Years. The Actuarial Value of Assets is 96.09% of the Market Value of Assets.*

### ACTUARIAL VALUE OF ASSETS (GAIN)/LOSS

Total Actuarial Value of Assets - Prior Valuation		\$ 30,390,516	
Plus - Employer Contributions		1,370,263	
Plus - Member Contributions		389,144	
Plus - Return on Investments		1,882,977	
Less - Benefit Payments and Refund		(1,135,494)	
Less - Other Expenses		<u>(45,326)</u>	
Total Actuarial Value of Assets - Current Valuation		<u>\$ 32,852,080</u>	

*The Rate of Return on Investments on an Actuarial Value of Assets Basis for the Fund was Approximately 5.99% Net of Administrative Expense.*

The Actuarial Value of Assets incorporates portions of gains and losses over multiple years.



## VALUATION OF FUND ASSETS

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### HISTORICAL ASSET PERFORMANCE

The chart below shows the historical Rates of Return on Investments for both Market Value of Assets and Actuarial Value of Assets.

	<u>Market Value of Assets</u>	<u>Actuarial Value of Assets</u>
FYE 2019	19.61%	5.99%
FYE 2018	(4.92%)	3.75%
FYE 2017	11.72%	6.13%
FYE 2016	5.80%	5.07%
FYE 2015	(0.48%)	5.29%

The historical Rates of Return on Investments shown above were calculated based on the annual Return on Investments, as a percentage of the average value of the assets for the year.

For purposes of determining the average value of assets for the year, the ending Market Value of Assets has been adjusted to net out to the portion related to the Return on Investments themselves. All other cash flows are included.

For purposes of determining the annual Return on Investments we have adjusted the figures shown on the preceding pages. The figures shown on the preceding pages are net of Investment Expenses. We have made an additional adjustment to net out Administrative Expenses. Netting out Administrative Expenses allows us to capture returns for the year that can be used to make benefit payments as part of the ongoing actuarial process.

The adjustments we made are for actuarial reporting purposes only. By netting out Administrative Expenses and capturing Return on Investments that are available to pay benefits, it provides us a comparison to the Expected Rate of Return on Investments, but does not provide a figure that would be consistent with the rates of return that are determined by other parties. Therefore, this calculated Return on Investments should not be used to analyze investment performance of the Fund or the performance of the investment professionals.



## VALUATION OF FUND ASSETS

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### Expected Rate of Return on Investments Assumption

The Expected Rate of Return on Investments for this valuation is 6.75%. Lauterbach & Amen, LLP does not provide investment advice. We look at a variety of factors when reviewing the Expected Rate of Return on Investments assumption selected by the Board. These factors include: historical Rates of Return on Investments, capital market projections performed by the Fund's investment advisors, the Fund's investment policy, capital market forward-looking benchmark expected returns by independent investment companies, rates used by comparable pension systems, and other factors identified in the Actuarial Standards of Practice.

Generally speaking, the ideal assumption for Expected Rate of Return on Investments is one that has a 50% chance of being met over the long-term. If actual returns going forward come in less than expected, the pension system risks deferring contributions to the future that should be made today, and creating additional contribution volatility.

“Investment Risk” is the potential that actual Return on Investments will be different from what is expected. The selected Expected Rate of Return on Investments assumption is chosen to be a long-term assumption, producing a return that, on average, would produce a stable rate of return over a long-term horizon. Actual asset returns in the short-term may deviate from this long-term assumption due to current market conditions. Furthermore, establishing the Expected Rate of Return on Investments assumption may be dependent on the Illinois State Statutes pertaining to the limitations on types of investments Plan Sponsors may use. If the actual annual rates of return are less than the Expected Rate of Return on Investments, actuarial losses will be produced, thus increasing the Plan's Unfunded Liability and, subsequently, future Recommended Contributions.

“Asset/Liability Mismatch” risk is a similar concept as Investment Risk, as it relates to setting the Expected Rate of Return on Investments assumption compared to the actual Return on Investments achieved. The Interest Rate used to discount future Plan liabilities is set equal to the Expected Rate of Return on Investments. It is expected that the selected Interest Rate be a rate that is reasonably expected to be achieved over the long-term. To the extent that the selected Interest Rate to value Plan liabilities is unreasonable, or significantly different than the actual Return on Investments earned over an extended period of time, additional Interest Rate risk is created. For example, determining Plan liabilities at an Interest Rate higher than what is expected to be achieved through investment returns results in Unfunded Liability that is not a true representation of the Plan's condition and Percent Funded. As a result, the Actuarial Accrued Liability determined is an amount smaller than the liability that would be produced with an Interest Rate more indicative of future Expected Rate of Return on Investments. Therefore, the Recommended Contributions under the established Funding Policy may not be sufficient to appropriately meet the true pension obligations.





## RECOMMENDED CONTRIBUTION DETAIL

Actuarial Accrued Liability  
Funded Status  
Development of the Employer Normal Cost  
Normal Cost as a Percentage of Expected Payroll  
Recommended Contribution  
Schedule of Amortization – Unfunded Actuarial Accrued Liability  
Actuarial Methods – Recommended Contribution

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## *RECOMMENDED CONTRIBUTION DETAIL*

### ACTUARIAL ACCRUED LIABILITY

	Prior Valuation	Current Valuation
Active Members	\$ 22,345,728	\$ 23,168,099
Inactive Members		
Terminated Members - Vested	381,404	419,316
Retired Members	12,241,374	13,916,127
Disabled Members	5,308,326	5,407,772
Other Beneficiaries	-	-
Total Inactive Members	17,931,104	19,743,215
Total Actuarial Accrued Liability	\$ 40,276,832	\$ 42,911,314

*The Total Actuarial Accrued Liability has Increased by Approximately \$2,634,000 from the Prior Valuation.*

### FUNDED STATUS

	Prior Valuation	Current Valuation
Total Actuarial Accrued Liability	\$ 40,276,832	\$ 42,911,314
Total Actuarial Value of Assets	30,390,516	32,852,080
Unfunded Actuarial Accrued Liability	\$ 9,886,316	\$ 10,059,234
Total Market Value of Assets	\$ 28,011,169	\$ 34,188,258
Percent Funded		
Actuarial Value of Assets	<u>75.45%</u>	<u>76.56%</u>
Market Value of Assets	<u>69.55%</u>	<u>79.67%</u>

*The Percent Funded as of the Actuarial Valuation Date is Subject to Volatility on Assets and Liability in the Short-Term.*



## *RECOMMENDED CONTRIBUTION DETAIL*

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### DEVELOPMENT OF THE EMPLOYER NORMAL COST

	Prior Valuation	Current Valuation
Total Normal Cost	\$ 952,845	\$ 1,034,205
Estimated Member Contributions	<u>(372,450)</u>	<u>(384,825)</u>
Employer Normal Cost	<u>\$ 580,395</u>	<u>\$ 649,380</u>

*At a 100%  
Funding Level,  
the Normal Cost  
Contribution is  
Still Required.*

### NORMAL COST AS A PERCENTAGE OF EXPECTED PAYROLL

	Prior Valuation	Current Valuation
Expected Payroll	<u>\$ 3,758,320</u>	<u>\$ 3,883,196</u>
Member Normal Cost Rate	<u>9.910%</u>	<u>9.910%</u>
Employer Normal Cost Rate	<u>15.44%</u>	<u>16.72%</u>
Total Normal Cost Rate	<u>25.35%</u>	<u>26.63%</u>

*Ideally, the  
Employer  
Normal Cost  
Rate will Remain  
Stable.*

### RECOMMENDED CONTRIBUTION

	Prior Valuation	Current Valuation
Employer Normal Cost*	\$ 619,572	\$ 693,213
Amortization of Unfunded Accrued Liability/(Surplus)	<u>878,456</u>	<u>941,169</u>
Recommended Contribution	<u>\$ 1,498,027</u>	<u>\$ 1,634,382</u>

*The  
Recommended  
Contribution has  
Increased by  
9.10% from the  
Prior Valuation.*

\*Employer Normal Cost Contribution includes interest through the end of the Fiscal Year.



## *RECOMMENDED CONTRIBUTION DETAIL*

### SCHEDULE OF AMORTIZATION – UNFUNDED ACTUARIAL ACCRUED LIABILITY

Below is the schedule of remaining amortization balances for the Unfunded Liability.

Unfunded Liability Base	Initial Balance	Date Established	Current Balance	Years Remaining	Payment
Investment (Gain)/Loss	\$ 203,010	12/31/2019	\$ 203,010	15	\$ 18,057
Actuarial (Gain)/Loss	(54,624)	12/31/2019	(54,624)	15	(4,859)
Contribution Experience	1,851	12/31/2019	1,851	15	165
Assumption Changes	80,604	12/31/2019	80,604	15	7,169
Plan Changes	153,208	12/31/2019	153,208	15	13,627
Investment (Gain)/Loss	833,320	12/31/2018	815,449	14	76,529
Actuarial (Gain)/Loss	(264)	12/31/2018	(258)	14	(24)
Contribution Experience	1,169	12/31/2018	1,144	14	107
Investment (Gain)/Loss	218,428	12/31/2017	208,113	13	20,712
Actuarial (Gain)/Loss	(404,665)	12/31/2017	(385,554)	13	(38,371)
Contribution Experience	1,044	12/31/2017	994	13	99
Initial Unfunded Liability	<u>\$ 9,522,215</u>	12/31/2016	<u>\$ 9,035,298</u>	14	<u>\$ 847,957</u>
 Total	 <u><b>\$ 10,555,296</b></u>		 <u><b>\$ 10,059,234</b></u>		 <u><b>\$ 941,169</b></u>

The Actuarial (Gain)/Loss can be attributable to several factors including demographic changes, Employer Contribution timing, Member Contribution experience, benefit payment experience, and salary increase experience compared to expectation.

The equivalent single amortization period based on the layered amortization of Unfunded Liability is 14.05 years for the current valuation.



## *RECOMMENDED CONTRIBUTION DETAIL*

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### ACTUARIAL METHODS – RECOMMENDED CONTRIBUTION

Actuarial Valuation Date	January 1, 2020
Data Collection Date	December 31, 2019
Actuarial Cost Method	Entry Age Normal (Level % Pay)
Amortization Method	Level % Pay (Closed)
Amortization Target	Layered - See Prior Page
Asset Valuation Method	5-Year Smoothed Market Value

The contributions and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census data furnished, using the Actuarial Cost Method described. The Actuarial Cost and Amortization Methods allocate the projected obligations of the Plan over the working lifetimes of the Plan Members.

The Recommended Contribution amount shown in this report is based on the methods summarized above. The *Actuarial Funding Policies* section of this report includes a more detailed description of the Actuarial Funding Methods being used.

The Actuarial Funding Methods are meant to provide a systematic process for determining contributions on an annual basis. The methods do not impact the expectation of future benefit payments. The methods only impact the way contributions are made towards future benefit payments.

Different Actuarial Funding Methods may achieve funding goals with differing levels of success. Certain methods are more efficient and more stable on an annual basis.





## ILLINOIS STATUTORY MINIMUM CONTRIBUTION

Statutory Minimum Contribution  
Funded Status – Statutory Minimum  
Actuarial Methods – Illinois Statutory Minimum Contribution

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## *ILLINOIS STATUTORY MINIMUM CONTRIBUTION*

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### STATUTORY MINIMUM CONTRIBUTION

	<u>Current Valuation</u>
Statutory Minimum Contribution	\$1,120,710
Expected Payroll	\$3,883,196
Statutory Minimum Contribution as a Percent of Expected Payroll	28.86%

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### FUNDED STATUS – STATUTORY MINIMUM

	<u>Current Valuation</u>
Normal Cost	\$1,205,303
Market Value of Assets	\$34,188,258
Actuarial Value of Assets	\$32,852,080
Actuarial Accrued Liability	\$40,415,630
Unfunded Actuarial Accrued Liability	\$7,563,550
Percent Funded	
Actuarial Value of Assets	81.29%
Market Value of Assets	84.59%

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## *ILLINOIS STATUTORY MINIMUM CONTRIBUTION*

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The Statutory Minimum Contribution is based on Actuarial Funding Methods and funding parameters in the Illinois State Statutes for pension funding. The resulting contribution is lower than the Recommended Contribution for the current year. The lower contribution amount is not recommended because it represents only a deferral of contributions when compared to the Recommended Contribution method.

Actuarial Funding Methods for pensions are best applied to provide a balance between the long-term goals of a variety of stakeholders:

1. Members – the Members are interested in benefit security and having the funds available to pay benefits when retired
2. Employers – cost control and cost stability over the long-term
3. Taxpayers – paying for the services they are receiving from active Members

The Statutory Minimum Contribution methods are not intended to provide a better system in any of the above categories long-term. The parameters are not recommended for a long-term funding strategy.

The Statutory Minimum methods put into place in 2011 were intended to provide short-term budget relief for Employer Contributions. An Employer using the Statutory Minimum parameters for current funding should view the contributions as short-term relief. Our recommendation in this situation is for a Pension Fund and an Employer to work towards a long-term funding strategy that better achieves the long-term funding goals, over a period that does not exceed 3-5 years.

The Securities and Exchange Commission in 2013 used the phrase “Statutory Underfunding” to describe situations where contributions appear to be more manageable in the short-term, but set up future Recommended Contributions that are less likely to be manageable.



## *ILLINOIS STATUTORY MINIMUM CONTRIBUTION*

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### **ACTUARIAL METHODS – ILLINOIS STATUTORY MINIMUM CONTRIBUTION**

Actuarial Valuation Date	January 1, 2020
Data Collection Date	December 31, 2019
Actuarial Cost Method	Projected Unit Credit
Amortization Method	Level % Pay (Closed)
Amortization Target	90% Funded Over 21 Years
Asset Valuation Method	5-Year Smoothed Market Value

The contribution and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census data furnished, using the Actuarial Cost Method described. The Actuarial Cost and Amortization methods allocate the projected obligations of the Plan over the working lifetimes of the Plan Members.

The Actuarial Funding Methods are meant to provide a systematic process for determining contributions on an annual basis. The methods do not impact the expectation of future benefit payments. The methods only impact the way contributions are made towards future benefit payments.

Different Actuarial Funding Methods may achieve funding goals with differing levels of success. Certain methods are more efficient and more stable on an annual basis.







## ACTUARIAL VALUATION DATA

Active Members  
Inactive Members  
Summary of Monthly Benefit Payments

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## *ACTUARIAL VALUATION DATA*

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### ACTIVE MEMBERS

	Prior Valuation	Current Valuation
Vested	28	28
Nonvested	10	11
Total Active Members	38	39
Total Payroll*	\$ 3,698,224	\$ 3,821,103

\*Total Payroll for the prior valuation includes assumed 2.50% COLA increases for all active Members, in anticipation of retroactive pay increases upon contract settlement.

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### INACTIVE MEMBERS

	Prior Valuation	Current Valuation
Terminated Members - Vested	2	2
Retired Members	11	12
Disabled Members	7	7
Other Beneficiaries	0	0
Total Inactive Members	20	21

### SUMMARY OF MONTHLY BENEFIT PAYMENTS

	Prior Valuation	Current Valuation
Terminated Members - Vested	\$ 4,849	\$ 4,849
Retired Members	56,571	64,171
Disabled Members	26,255	26,479
Other Beneficiaries	-	-
Total Inactive Members	\$ 87,675	\$ 95,498

Monthly benefit payments shown for Terminated Members – Vested are not currently in pay status.

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## ACTUARIAL FUNDING POLICIES

Actuarial Cost Method  
Financing Unfunded Actuarial Accrued Liability  
Actuarial Value of Assets

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# *ACTUARIAL FUNDING POLICIES*

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## **ACTUARIAL COST METHOD**

The Actuarial Cost Method allocates the projected obligations of the Plan over the working lifetimes of the Plan Members.

In accordance with the Pension Fund's Funding Policy the Actuarial Cost Method for the Recommended Contribution basis is Entry Age Normal (Level Percent of Pay). The Entry Age Normal Cost Method is a method under which the Actuarial Present Value of the projected benefits of each individual included in an Actuarial Valuation is allocated on a level basis over the earnings or service of the individual between entry age and assumed exit age. The portion of this Actuarial Present Value allocated to a valuation year is called Normal Cost. The portion of the Actuarial Present Value not provided at an Actuarial Valuation Date by the Actuarial Present Value of future Normal Costs is called the Actuarial Accrued Liability.

The Entry Age Normal method attempts to create a level cost pattern. In contrast to other Actuarial Cost Methods which inherently lead to uneven or less predictable cost patterns, the Entry Age Normal method is generally understood to be less risky in terms of contribution stability from year to year.

The Conference of Consulting Actuaries Public Plans Community produced a "white paper" detailing Funding Policy model practices for public sector pension plans. Under the Level Cost Actuarial Methodology ("LCAM"), one of the principal elements to a Funding Policy is the Actuarial Cost Method. When deciding which Actuarial Cost Method to use, several objectives may be considered, such as the following:

- Each Member's benefit should be funded under a reasonable allocation method by the expected retirement date
- Pay-related benefit costs should reflect anticipated pay at retirement
- The expected cost of each year of service (i.e. Normal Cost) for each active Member should be reasonably related to the expected cost of that Member's benefit
- The Member's Normal Cost should emerge as a level percent of Member compensation
- No gains or losses should occur if all assumptions are met.

Following these criteria, the use of the Entry Age Normal Cost Method (Level Percent of Pay) is a model practice.

## **FINANCING UNFUNDED ACTUARIAL ACCRUED LIABILITY**

The Unfunded Actuarial Accrued Liability may be amortized over a period either in level dollar amounts or as a level percentage of payroll.

When amortizing the Unfunded Actuarial Accrued Liability as a level percentage of payroll, additional risk is incurred since the amortization payments in the early years of the payment period may not be large enough to cover the interest accrued on the existing Unfunded Liability. As a result, the Unfunded



## ACTUARIAL FUNDING POLICIES

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Liability may increase initially, before the amortization payments grow large enough to cover all interest accruals. Generally speaking, the Plan Sponsor will be required to contribute a larger total contribution amount over the course of the funding period under a level percentage of payroll basis as compared to a level dollar payroll schedule.

The Government Finance Office Association notes that best practices in public pension finance include utilizing amortization periods that do not exceed 20 years. Longer amortization periods elevate the risk of failing to reduce any Unfunded Liability. For example, when the amortization payment in full only covers interest on the Unfunded Liability, but does not reduce the existing Unfunded Liability, the required contribution will increase in future years.

A second principal element under the Level Cost Actuarial Methodology described above is to establish an Amortization Policy that determines the length of time and the structure of the increase or decrease in contributions required to systematically fund the Unfunded Actuarial Accrued Liability. When deciding on the Amortization Policy, several objectives may be considered, such as the following:

- Variations in the source of liability changes (i.e. gains or losses, Plan changes, assumption changes) should be funded over periods consistent with an appropriate balance between the policy objectives of demographic matching and volatility management
- The cost changes in Unfunded Actuarial Accrued Liability should emerge as a level percentage of Member compensation

The LCAM model practices for the Amortization Policy include the following:

- Layered fixed period amortization by source
- Level percent of pay amortization
- An amortization period ranging from 15-20 years for experience gains or losses
- An amortization period of 15-25 years for assumption changes

In accordance with the Pension Fund's Funding Policy for the Recommended Contribution, the Unfunded Actuarial Accrued Liability is amortized by level percent of payroll contributions to a 100% funding target over a layered amortization period of 15 years. See the *Actuarial Methods – Recommended Contribution* section of this report for more detail.

The equivalent single amortization period based on the layered amortization of Unfunded Liability is 14.05 years for the current valuation.

We believe that the amortization period is appropriate for the purposes of this valuation.



## *ACTUARIAL FUNDING POLICIES*

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### **ACTUARIAL VALUE OF ASSETS**

The Pension Fund is an ongoing plan. The Employer wishes to smooth the effect of volatility in the Market Value of Assets on the annual contribution. Therefore, the Actuarial Value of Assets is equal to the Market Value of Assets with unanticipated gains/losses recognized over a five-year period.

The Asset Valuation Method is intended to create an Actuarial Value of Assets that remains reasonable in relation to the Market Value of Assets over time. The method produces results that can fall either above or below the Market Value of Assets. The period of recognition is short.

It is intended that the period of recognition is short enough to keep the Actuarial Value of Assets within a decent range of the Market Value of Assets. In the event that the Actuarial Value of Assets exceeds or falls below a 10% corridor of the Market Value of Assets, the additional gain or loss will be recognized immediately.





## ACTUARIAL ASSUMPTIONS

Nature of Actuarial Calculations  
Actuarial Assumptions in the Valuation Process  
Assessment of Risk Exposures  
Limitations of Risk Analysis  
Actuarial Assumptions Utilized

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# ACTUARIAL ASSUMPTIONS

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## NATURE OF ACTUARIAL CALCULATIONS

The results documented in this report are estimates based on data that may be imperfect and on assumptions about future events. Certain Plan Provisions may be approximated or deemed immaterial, and, therefore, are not valued. Assumptions may be made about census data or other factors. Reasonable efforts were made in this valuation to ensure that significant items in the context of the Actuarial Accrued Liability or costs are treated appropriately, and not excluded or included inappropriately.

Actual future experience will differ from the assumptions used in the calculations. As these differences arise, the expense for accounting purposes will be adjusted in future valuations to reflect such actual experience.

A range of results different from those presented in this report could be considered reasonable. The numbers are not rounded, but this is for convenience only and should not imply precision which is not inherent in actuarial calculations.

## ACTUARIAL ASSUMPTIONS IN THE VALUATION PROCESS

The contributions and benefit values of the Pension Fund are calculated by applying actuarial assumptions to the benefit provisions and census data furnished, using the Actuarial Cost Method described in the *Actuarial Funding Policies* section of this report.

The principal areas of financial risk which require assumptions about future experience are:

- Expected Rate of Return on Investments
- Patterns of Pay Increases for Members
- Rates of Mortality Among Active and Inactive Members
- Rates of Termination Among Active Members
- Rates of Disability Among Active Members
- Age Patterns of Actual Retirements

Actual experience of the Pension Fund will not coincide exactly with assumed experience. Each valuation provides a complete recalculation of assumed future experience and takes into account all past differences between assumed and actual experience. The result is a continual series of adjustments to the computed Recommended Contribution.

Details behind the selection of the actuarial assumptions can be found in the Actuarial Assumption Summary document provided to the client upon request. The client has reviewed and approved the assumptions as a reasonable expectation of the future anticipated experience under the Plan.





# ACTUARIAL ASSUMPTIONS

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## ASSESSMENT OF RISK EXPOSURES

From time to time it becomes appropriate to modify one or more of the assumptions, to reflect experience trends (but not random year-to-year fluctuations).

In addition, Actuarial Standards of Practice require that the Actuary minimally perform a qualitative assessment of key financial and demographic risks as part of the risk assessment process with each annual Actuarial Valuation. The risk assessments we perform include, but are not limited to, the following:

- Periodic demographic experience studies every 3 to 5 years to confirm the ongoing appropriateness of actuarial assumptions
- Highlight the impact of demographic experience over the past year, as well as other sources of change and volatility in the *Actuarial Recommended Contribution – Reconciliation* section of this report
- Detail year-over-year changes in contribution levels, assets, liabilities, and Funded Status in the *Recommended Contribution* and *Funded Status* sections in the *Management Summary* section of this report
- Review any material changes in the census as summarized in the *Actuarial Valuation Data* section of this report
- Provide and discuss the Actuarial Assumption Summary document highlighting the rationale for each key assumption chosen by the Board
- Identify potential Cash Flow Risk by highlighting expected benefit payments over the next 5-year and 10-year periods in the *Asset Growth* section in the *Management Summary* section of this report
- Describe the impact of any assumption, method, or policy change in the *Management Summary* section of this report
- Utilize supplemental information, such as the GASB Discount Rate sensitivity disclosures to understand, for example, what impact an alternative Expected Rate of Return on Investments assumption might have on the estimation of Actuarial Accrued Liability and Funded Status
- Utilize supplemental information, such as the GASB solvency test, to better understand the Cash Flow Risk and long-term sustainability of the Plan.

## LIMITATIONS OF RISK ANALYSIS

Since future experience may never be precisely as assumed, the process of selecting funding methods and actuarial assumptions may inherently create risk and volatility of results. A more detailed evaluation of the above risk exposures is beyond the scope and nature of the annual Actuarial Valuation process. For example, scenario tests, sensitivity tests, stress tests, and/or stochastic modeling for multi-year projections to assess the impact of alternative assumptions and methods, or modeling future experience different from the assumptions in these results, are not included in this Actuarial Valuation.

The Lake in the Hills Police Pension Fund and/or the Village of Lake in the Hills, Illinois should contact the Actuary if they desire a more detailed assessment of any of these forward-looking risk exposures.



## *ACTUARIAL ASSUMPTIONS*

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### ACTUARIAL ASSUMPTIONS UTILIZED

<b>Expected Rate of Return on Investments</b>	6.75% Net of Administrative Expense
<b>CPI-U</b>	2.25%
<b>Total Payroll Increases</b>	3.25%
<b>Individual Pay Increases*</b>	3.75% - 10.77%

Individual pay increases include a long-term average increase for inflation, average annual increases for promotions, and any additional increases for a step program. Sample rates are as follows:

Service	Rate	Service	Rate
0	10.77%	8	3.75%
1	10.10%	9	3.75%
2	9.53%	10	3.75%
3	9.04%	15	3.75%
4	8.61%	20	3.75%
5	8.23%	25	3.75%
6	7.89%	30	3.75%
7	7.59%	35	3.75%

\*Individual pay increases for active Members hired at age 40 or older are assumed annual increases at the ultimate rate reduced by 50 basis points, without adjustments in early service years.

### Retirement Rates

100% of the L&A Assumption Study for Police 2020 Cap Age 65. Sample rates are as follows:

Age	Rate	Age	Rate
50	11.00%	53	12.73%
51	11.55%	54	13.37%
52	12.13%	55	14.04%



## *ACTUARIAL ASSUMPTIONS*

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### **Termination Rates**

100% of the L&A Assumption Study for Police 2020. Sample rates are as follows:

Age	Rate	Age	Rate
25	8.00%	40	2.17%
30	3.40%	45	1.56%
35	2.79%	50	0.46%

### **Disability Rates**

100% of the L&A Assumption Study for Police 2020. Sample rates are as follows:

Age	Rate	Age	Rate
25	0.00%	40	0.38%
30	0.06%	45	0.53%
35	0.18%	50	0.48%

65% of active Members who become disabled are assumed to be in the Line of Duty.

### **Mortality Rates**

Active Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

50% of active Member deaths are assumed to be in the Line of Duty.

Retiree Mortality follows the L&A Assumption Study for Police 2020. These rates are experience weighted with the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study improved to 2017 using MP-2019 Improvement Rates. These rates are then improved fully generationally using MP-2019 Improvement Rates.

Disabled Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010 Study for disabled participants. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.

Spouse Mortality follows the Sex Distinct Raw Rates as developed in the PubS-2010(A) Study for contingent survivors. For all rates not provided there (ages 45 and younger) the PubG-2010 Study for general employees was used. Mortality improvement uses MP-2019 Improvement Rates applied on a fully generational basis.



## *ACTUARIAL ASSUMPTIONS*

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### **Marital Assumptions**

*Active Members:* 80% of active Members are assumed to be married. Female spouses are assumed to be 3 years younger than male spouses.

*Retiree and Disabled Members:* Actual spousal data was utilized for retiree and disabled Members.





## SUMMARY OF PRINCIPAL PLAN PROVISIONS

Establishment of the Fund  
Administration  
Member Contributions  
Regular Retirement Pension Benefit  
Early Retirement Pension Benefit  
Surviving Spouse Benefit  
Termination Benefit – Vested  
Disability Benefit

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## ***SUMMARY OF PRINCIPAL PLAN PROVISIONS***

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### **ESTABLISHMENT OF THE FUND**

The Police Pension Fund is established and administered as prescribed by “Article 3 – Police Pension Fund – Municipalities 500,000 and Under” of the Illinois Pension Code.

### **ADMINISTRATION**

The Police Pension Fund is administered by a Board of Trustees whose duties are to manage the Pension Fund, determine applications for pensions, authorize payment of pensions, establish rules, pay expenses, invest assets, and keep records.

### **MEMBER CONTRIBUTIONS**

Members contribute 9.910% of pensionable salary.

### **REGULAR RETIREMENT PENSION BENEFIT**

#### Hired Prior to January 1, 2011

*Eligibility:* Age 50 with at least 20 years of creditable service.

*Benefit:* 50% of final salary for the first 20 years of service, plus an additional 2.5% of final salary for each year of service beyond 20 years of service, and not to exceed 75% of final salary. “Final salary” is based on the police officer’s pensionable salary attached to rank held on the last day of service, unless the pensionable salary was greater at some point within the year prior to the last day of service. If so, the pensionable salary is averaged over the last 12 months.

*Annual Increase in Benefit:* A police officer is entitled to receive an initial increase equal to 1/12 of 3% of the original monthly benefit for each full month that has passed since the pension began. The initial increase date will be the latter of the first day of the month after the pensioner turns age 55 or the first day of the month after the benefit date anniversary. Subsequent increases of 3% of the current monthly benefit will be granted every January 1<sup>st</sup> thereafter.



## ***SUMMARY OF PRINCIPAL PLAN PROVISIONS***

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### **REGULAR RETIREMENT PENSION BENEFIT - CONTINUED**

#### Hired on or After January 1, 2011

*Eligibility:* Age 55 with at least 10 years of creditable service.

*Benefit:* 2.5% of final average salary for each year of service, and not to exceed 75% of final average salary. "Final average salary" is determined by dividing the total pensionable salary during 48 consecutive months of service within the last 60 months of service in which total pensionable salary was the highest, by the number of months of service in that period (or by dividing the total pensionable salary during 96 consecutive months of service within the last 120 months of service in which total pensionable salary was the highest, by the number of months of service in that period, if greater). Annual salary for this purpose will not exceed the salary cap, indexed by the lesser of 3% or the CPI-U for the 12 months ending with the September preceding each November 1<sup>st</sup>. The salary cap will not decrease.

*Annual Increase in Benefit:* The initial increase date will be the latter of the January 1<sup>st</sup> after the pensioner turns age 60 or the January 1<sup>st</sup> after the benefit date anniversary. Subsequent increases will be granted every January 1<sup>st</sup> thereafter. The initial increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1<sup>st</sup>.

### **EARLY RETIREMENT PENSION BENEFIT**

#### Hired Prior to January 1, 2011

None.

#### Hired on or After January 1, 2011

*Eligibility:* Age 50 with at least 10 years of creditable service.

*Benefit:* The regular retirement pension benefit reduced by ½ of 1% for each month that the police officer's age is between 50 and 55.

*Annual Increase in Benefit:* The initial increase date will be the latter of the January 1<sup>st</sup> after the pensioner turns age 60 or the January 1<sup>st</sup> after the benefit date anniversary. Subsequent increases will be granted every January 1<sup>st</sup> thereafter. The initial increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1<sup>st</sup>.



## *SUMMARY OF PRINCIPAL PLAN PROVISIONS*

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### **SURVIVING SPOUSE BENEFIT**

#### Hired Prior to January 1, 2011

*Eligibility:* Married to an active police officer with at least 8 years of creditable service, a disabled pensioner at the time of death, or a retired pensioner on the last day of service.

*Active Line of Duty Death Benefit:* An eligible surviving spouse is entitled to receive 100% of the police officer's final pensionable salary attached to rank held on the last day of service.

#### *Non-Duty Death Benefit:*

*Disabled or Retired Pensioner:* An eligible surviving spouse is entitled to receive the pensioner's benefit at the time of death.

*Active Member with 20+ Years of Service:* An eligible surviving spouse is entitled to the police officer's eligible benefit at the time of death.

*Active Member with 10-20 Years of Service:* An eligible surviving spouse is entitled to receive 50% of the police officer's pensionable salary attached to rank held on the last day of service, unless the pensionable salary was greater at some point within the year prior to the last day of service. If so, the pensionable salary is averaged over the last 12 months.

*Annual Increase in Benefit:* None.

#### Hired on or After January 1, 2011

*Eligibility:* Married to an active police officer with at least 8 years of creditable service, a disabled pensioner at the time of death, or a retired pensioner on the last day of service.

*Active Line of Duty Death Benefit:* An eligible surviving spouse is entitled to receive 100% of the police officer's final pensionable salary attached to rank held on the last day of service.

#### *Non-Duty Death Benefit:*

*Disabled or Retired Pensioner, Active Member with 20+ Years of Service, and Active Member with 10-20 Years of service:* An eligible surviving spouse is entitled to receive the greater of 66⅔% of the police officer's earned pension benefit at the time of death or 54% of the police officer's monthly salary at the time of death.

*Annual Increase in Benefit:* The initial increase date will be the January 1<sup>st</sup> after the surviving spouse turns age 60. Subsequent increases will be granted every January 1<sup>st</sup> thereafter. The initial increase and subsequent increases will be the lesser of 3% of the original benefit or ½ of the CPI-U for the 12 months ending with the September preceding each November 1<sup>st</sup>.





## *SUMMARY OF PRINCIPAL PLAN PROVISIONS*

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### **TERMINATION BENEFIT – VESTED**

#### Hired Prior to January 1, 2011

*Eligibility:* Age 60 with at least 8 but less than 20 years of creditable service.

*Benefit:* 2.5% of final salary for each year of service. “Final salary” is based on the police officer’s pensionable salary attached to rank held on the last day of service, unless the pensionable salary was greater at some point within the year prior to the last day of service. If so, the pensionable salary is averaged over the last 12 months.

*Annual Increase in Benefit:* A police officer is entitled to receive an initial increase equal to 1/12 of 3% of the original monthly benefit for each full month that has passed since the pension began. The initial increase date will be the first day of the month after the benefit date anniversary. Subsequent increases of 3% of the current monthly benefit will be granted every January 1<sup>st</sup> thereafter.

#### Hired on or After January 1, 2011

None.



## ***SUMMARY OF PRINCIPAL PLAN PROVISIONS***

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### **DISABILITY BENEFIT**

#### Hired Prior to January 1, 2011

*Eligibility:* Duty or Non-Duty Disability or Occupational Disease Disability with at least 5 years of creditable service.

*Benefit:* For a duty disability or an occupational disease disability with at least 5 years of creditable service, a police officer is entitled to receive the greater of 65% of final salary or the regular retirement pension benefit at the time of disability. For a non-duty disability, a police officer is entitled to receive 50% of final salary. "Final salary" is based on the police officer's pensionable salary attached to rank held on the last day of service.

*Annual Increase in Benefit:* A police officer is entitled to receive an initial increase equal to 3% of the original monthly benefit for each full year that has passed since the pension began. The initial increase date will be the latter of the January 1<sup>st</sup> after following pensioner turns age 60 or the January 1<sup>st</sup> after the benefit date anniversary. Subsequent increases of 3% of the original monthly benefit will be granted every January 1<sup>st</sup> thereafter.

#### Hired on or after January 1, 2011

*Eligibility:* Duty or Non-Duty Disability or Occupational Disease Disability with at least 5 years of creditable service.

*Benefit:* For a duty disability or an occupational disease disability with at least 5 years of creditable service, a police officer is entitled to receive the greater of 65% of final salary or the regular retirement pension benefit at the time of disability. For a non-duty disability, a police officer is entitled to receive 50% of final salary. "Final salary" is based on the police officer's pensionable salary attached to rank held on the last day of service.

*Annual Increase in Benefit:* A police officer is entitled to receive an initial increase equal to 3% of the original monthly benefit for each full year that has passed since the pension began. The initial increase date will be the latter of the January 1<sup>st</sup> after following pensioner turns age 60 or the January 1<sup>st</sup> after the benefit date anniversary. Subsequent increases of 3% of the original monthly benefit will be granted every January 1<sup>st</sup> thereafter.





## GLOSSARY OF TERMS

Glossary of Terms

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## ***GLOSSARY OF TERMS***

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### **GLOSSARY OF TERMS**

***Actuarial Accrued Liability*** – The Actuarial Present Value of future benefits based on Members’ service rendered to the Measurement Date using the selected Actuarial Cost Method. It is that portion of the Actuarial Present Value of Plan benefits and expenses allocated to prior years of employment. It is not provided for by future Normal Costs.

***Actuarial Cost Method*** – The method used to allocate the projected obligations of the Plan over the working lifetimes of the Plan Members.

***Actuarial Value of Assets*** – The value of the assets used in the determination of the Unfunded Actuarial Accrued Liability. The Actuarial Value of Assets is related to Market Value of Assets, with adjustments made to spread unanticipated gains and losses for a given year over a period of several years. Actuarial Value of Assets is generally equally likely to fall above or below the Market Value of Assets, and generally does not experience as much volatility over time as the Market Value of Assets.

***Asset Valuation Method*** – A valuation method designed to smooth random fluctuations in asset values. The objective underlying the use of an Asset Valuation Method is to provide for the long-term stability of Employer Contributions.

***Funding Policy*** – A set of procedures for a Pension Fund that outlines the “best practices” for funding the pension benefits based on the goals of the Plan Sponsor. A Funding Policy discusses items such as assumptions, Actuarial Cost Method, assets, and other parameters that will best help the Plan Sponsor meet their goal of working in the best interest of the Plan Members.

***Market Value of Assets*** – The value of the cash, bonds, securities, and other assets held in the pension trust as of the Measurement Date.

***Normal Cost*** – The present value of future benefits earned by Members during the current Fiscal Year. It is that portion of the Actuarial Present Value of benefits and expenses which is allocated to a valuation year by the Actuarial Cost Method.

***Unfunded Actuarial Accrued Liability*** – The excess of the Actuarial Accrued Liability over the Actuarial Value of Assets. The Unfunded Actuarial Accrued Liability is amortized over a period either in level dollar amounts or as a level percentage of projected payroll.





# Lauterbach & Amen, LLP

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CERTIFIED PUBLIC ACCOUNTANTS



# REQUEST FOR BOARD ACTION

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**MEETING DATE:** October 6, 2020

**DEPARTMENT:** Public Works

**SUBJECT:** Airport Ground Lease for Hangar PAP-54

## EXECUTIVE SUMMARY

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The Lake in the Hills Airport Rules and Regulations require airport tenants to enter into applicable leases, licenses, or storage agreements for Village owned hangars. Edward Finnegan is requesting a new ground lease on Hangar PAP-54. This lease is for the period of October 9, 2020 to October 8, 2040. The lease includes an option to renew for four additional five-year terms.

Mr. Finnegan has signed the appropriate lease form and has submitted acceptable proof of insurance for the hangar. A background check was previously completed and no issues were found by the Lake in the Hills Police Department.

## FINANCIAL IMPACT

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The Airport Fund will receive \$2,390.04 annually from the ground lease and another \$312 from electrical fees, subject to annual increases approved by ordinance.

## ATTACHMENTS

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1. Proposed Ordinance
2. PAP-54 Ground Lease

## RECOMMENDED MOTION

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Motion to approve the Ordinance and authorize the Village President and Village Clerk to sign the ground lease for Hangar PAP-54 with Finnegan Aviation Services, LLC of Cary, IL.

VILLAGE OF LAKE IN THE HILLS

ORDINANCE NO. 2020-\_\_\_\_\_

**An Ordinance Authorizing the Approval of a Ground Lease  
between the Village of Lake in the Hills and Finnegan  
Aviation Services, LLC for PAP-54**

WHEREAS, the Village of Lake in the Hills, McHenry County, Illinois, is a home rule municipality as contemplated under Article VII, Section 6, of the Constitution of the State of Illinois, and the passage of this Ordinance constitutes an exercise of the Village's home rule powers and functions as granted in the Constitution of the State of Illinois.

NOW, THEREFORE, BE IT ORDAINED by the President and Board of Trustees of the Village of Lake in the Hills, McHenry County, Illinois, as follows:

SECTION 1: That the President is hereby authorized to enter into a Ground Lease between the Village and Finnegan Aviation Services, LLC for PAP-54 at the Lake in the Hills Airport:

SECTION 2: If any section, paragraph, subdivision, clause, sentence or provision of this Ordinance shall be adjudged by any Court of competent jurisdiction to be invalid, such judgment shall not affect, impair, invalidate or nullify the remainder thereof, which remainder shall remain and continue in full force and effect.

SECTION 3: All ordinances or parts of ordinances in conflict herewith are hereby repealed to the extent of such conflict.

SECTION 4: This Ordinance shall be in full force and effect upon its passage, approval and publication in pamphlet form (which publication is hereby authorized) as provided by law.

Passed this 8th day of October, 2020 by roll call vote as follows:

	Ayes	Nays	Absent	Abstain
Trustee Stephen Harlfinger	_____	_____	_____	_____
Trustee Ray Bogdanowski	_____	_____	_____	_____
Trustee Bob Huckins	_____	_____	_____	_____
Trustee Bill Dustin	_____	_____	_____	_____
Trustee Suzette Bojarski	_____	_____	_____	_____
Trustee Diane Murphy	_____	_____	_____	_____
President Russ Ruzanski	_____	_____	_____	_____

APPROVED THIS 8TH DAY OF OCTOBER, 2020

\_\_\_\_\_  
Village President, Russ Ruzanski

(SEAL)

ATTEST: \_\_\_\_\_  
Village Clerk, Cecilia Carman

Published: \_\_\_\_\_



**VILLAGE OF LAKE IN THE HILLS  
LAKE IN THE HILLS AIRPORT GROUND LEASE**

THIS T-HANGAR SPACE LEASE (this "Lease") made and entered into at Lake in the Hills, Illinois, this eighth day of October, 2020 by and between the Village of Lake in the Hills, an Illinois municipal corporation (the "Lessor") and Finnegan Aviation Services, LLC (the "Lessee").

**WITNESSETH:**

WHEREAS, the Lessor does hereby let and lease to the Lessee the T-Hangar Space by (the "Space") depicted on Exhibit A attached to and by this reference incorporated into this Lease at the Lake in the Hills Airport (the "Airport"), which parcel of property is commonly known as:

"T-Hangar Space or Premises" location: **PAP-54** (the "Leased Premises").  
Lot Dimensions: **42' x 3" x 18' by 16'5" x 20'7"** (the "Premises").

**ARTICLE 1: TERM; RENEWAL**

1.01 This Lease shall commence on October 9, 2020 and shall continue for a period of 20 years and shall terminate October 8, 2040 (the "Initial Term") unless sooner terminated as hereinafter provided.

1.02 The Lessee shall have the option to renew this Lease for four (4) additional terms of five years (the "Extension Terms"), which Extension Terms shall commence on the day immediately following the last day of the then existing Term, provided (i) that the Lessee notifies the Lessor in writing (the "Extension Notice") at least 60 days prior to the expiration of the existing Term that the Lessee intends to renew this Lease for one of the Extension Terms; (ii) that the Lessee is not in default of any obligation or duty imposed upon it by this Lease; and (iii) that the Lessor may increase, modify, or otherwise alter, for the Extension Terms, the amount of rent paid by the Lessee. The Lessor shall notify the Lessee in writing of any rent increase (the "Rental Increase Notice") within 30 days of receipt of the Extension Notice. In the event the Lessee determines that the rental increase is unreasonable, the Lessee shall have 10 days after Lessor's delivery of the Rental Increase Notice to elect to terminate this Lease. In the event the Lessee elects to terminate this Lease pursuant to the terms of this Article 1.02, then the Lessee shall provide the Lessor with written notice (the "Termination Notice") of its intention to do so no later than 10 days after the Lessor's delivery of the Rental Increase Notice. In the event the Lessor does not receive the Termination Notice within the 10-day period of time, it shall be conclusively presumed that the Lessee has elected not to terminate this Lease.

**ARTICLE 2: USE**

2.01 The Premises shall be used, occupied, and maintained by the Lessee for the sole purpose of supporting an Aircraft Hangar/Storage facility (the "Hangar") for aircraft owned or leased by the Lessee and for lease for storage of other aircraft, and uses reasonably incidental thereto, and for no other purpose (the "Approved Uses").

2.02 The Lessee shall not conduct any business activities or aviation-related activities other than the Approved Uses, unless the Lessee shall also have a separate and valid commercial activity agreement with the Lessor. The Lessee shall comply with (a) all applicable governmental laws, ordinances, codes, rules, and regulations and applicable orders and directions of public officers thereunder and (b) all requirements of carriers of insurance on the Premises respecting all matters of occupancy, condition, maintenance, and use of the Premises, whether any of the foregoing shall be directed to the Lessee or the Lessor, including but not limited to any environmental laws or regulations by any local, state, or federal government and the Airport rules and regulations.

2.03 The Lessee agrees to occupy the entire Premises and to properly maintain and operate the Approved Uses at all times during the term(s) of this Lease.

2.04 The Lessee shall be entitled to the non-exclusive use, in common with other users, of the public facilities of the Airport solely for the purpose of ingress and egress to and from the Premises. The Lessee shall not use the public areas for the transient or permanent tie-down of aircraft or for any purposes other than as expressly permitted by this Lease.

2.05 The Lessee shall, at the Lessee's own expense, comply with all present and hereinafter enacted environmental laws, including but not limited to the Comprehensive Environmental Response, Compensation and Liability Act, 42 U.S.C. Section 9601 et seq., the Resource Conservation and Recovery Act, 42 U.S.C. Section 6941 et seq., Toxic Substances Control Act, 15 U.S.C. Section 2601 et seq., Safe Drinking Water Act, 42 U.S.C. Section 300 et seq., the Clean Air Act, 42 U.S.C. Section 7401 et seq., and the regulations promulgated thereunder and any other laws, regulations, and ordinances (whether enacted by the local, state or federal governments) now in effect or hereinafter enacted, that deal with the regulation or protection of the environment and hazardous materials. The Lessee shall not cause or permit any hazardous material to be used, generated, manufactured, produced, or stored on, under, or about the Premises. The Lessee shall not keep on the Premises any inflammables, such as gasoline, kerosene, naphtha, or benzene or other volatile chemicals or compounds or explosives or any other articles of intrinsically dangerous nature, except such materials and equipment commonly related to airplane maintenance. The Lessee further shall indemnify, defend, and hold harmless the Lessor from and against any and all liability, loss, damage, expense, penalties, and legal and investigation fees or costs arising from or related to any claim or action for injury or liability brought by any person, entity or governmental body, alleging or arising in connection with contamination of, or adverse effects on, the environment of the Premises.

### **ARTICLE 3: RENT**

3.01 The amount of rent payable to the Lessor (the "Rent") is set forth on the rent schedule ("the Rent Schedule") attached to and by this reference incorporated into this Lease as Exhibit B. The Rent, during the Initial Term and any Extension Term, is subject to an increased adjustment by the Lessor on an annual basis based on the following: the current year's Rent multiplied by the Consumer Price Index (the "CPI") for the Chicago Metropolitan Area, up to a maximum 10 percent increase over the current year's rent. The CPI to be used for the preceding calculation shall be the CPI available for the most recent 12 month period. The first month's Rent shall be paid upon the execution of this Lease and each month's Rent thereafter shall be paid in advance on or before the first day of a calendar month during the term(s) of this Lease. Rent for any partial calendar month within the Term shall be prorated on a per diem basis assuming a 30-day month.

3.02 The Lessee agrees to pay all rent and any other amount owing hereunder on the due date thereof to the Lessor at its office at 600 Harvest Gate, Lake in the Hills, Illinois, or to such other person at such other address as the Lessor may from time to time designate in writing. The Lessee hereby agrees that the Lessee's obligation to pay such rent and other amounts shall be absolute and unconditional under all circumstances, including, without limitation, the following circumstances: (a) any setoff counter-claim, recoupment, defense, or other right that the Lessee may have against the Lessor, or anyone else for any reason whatsoever; (b) any damage to, loss, or destruction of the Premises or any interruption or cessation in the use or possession thereof by the Lessee for any reason whatsoever, unless directly caused by the negligent acts of Lessor; (c) any insolvency, bankruptcy, reorganization, or similar proceedings by or against the Lessee; and (d) any other event or circumstance whatsoever, whether or not similar to any of the foregoing. To the extent permitted by applicable law, the Lessee hereby waives any and all rights which it may now have or which at any time hereafter may be conferred upon it, by statutes or otherwise, to terminate, cancel, quit, or surrender any portion of

the Premises hereunder except in accordance with the expressed terms hereof. If for any reason whatsoever this Lease shall be terminated in whole or in part by operation of law or otherwise, except in the event of termination without the fault of Lessee or termination upon change of ownership in accordance with Article 12 of this Lease, or dis-affirmed by the Lessee, all remaining rent payments which would have become due and payable in accordance with the terms hereof had this Lease not been terminated or dis-affirmed in whole or part shall become immediately due and payable. Each rent or any other payment made by the Lessee hereunder shall be final and the Lessee shall not seek to recover all or any part of such payment from the Lessor for any reason whatsoever.

3.03 The Lessee shall also pay the Lessor a late charge upon payment of Rent after the tenth day of any month in the amount of 10 percent of the amount owed. Payment of a late charge to the Lessor shall in no way interfere with the Lessee's obligation to pay Rent on the first day of each month. Payment by the Lessee of a late charge shall not be deemed a waiver of or otherwise limit the Lessor's remedies under this Lease.

#### ARTICLE 4: LESSOR'S RIGHT TO RELOCATE LESSEE

4.01 The Lessee acknowledges that at any time during the term(s) of this Lease, the Lessor may need to relocate the Hangar to another comparable location at the Airport (the "Relocation"). In the event the Lessor determines in its sole and absolute discretion that Relocation is necessary, the Lessor shall provide the Lessee with 30 days written notice of its intention to relocate. The Hangar will be relocated to another location that, in the sole discretion of the Lessor, is comparable to the Premises, and the definition of the "Premises" shall be revised to reflect the new location. The Lessor will pay for the following costs of Relocation: preparation of the new site, relocation of the Hangar and hangar facilities onto the new site, and all costs directly associated with the Relocation. The Lessee shall have no right to reimbursement from the Lessor for any costs incurred by the Lessee as a result of the Relocation, except for reasonable costs incurred by the Lessee as a result of Lessor's Relocation actions.

4.02 The Lessor shall not be responsible for theft, loss, injury, damage, or destruction of the Hangar or of any aircraft or other property on the Premises during the Relocation. The Lessee hereby releases and discharges the Lessor for the loss of or damage to the Lessee's property, except for that loss or damage arising out of the Lessor's negligence during the Relocation.

#### ARTICLE 5: CONDITION OF PREMISES; REPAIR

5.01 The Lessee has inspected the Premises and accepts the Premises in an "as is" condition. The Lessee acknowledges that its decision to enter into this Lease was based on its own knowledge and analysis and not on any representations by the Lessor, and the Lessee waives any and all claims against the Lessor in connections therewith. At the termination of this Lease, the Lessee shall, at Lessee's sole expense, remove the Hangar, including any foundation, and restore the Premises to a natural state, including grading and grass seeding.

5.02 The Lessee agrees, at its sole cost and expense, to repair, replace, or reconstruct the Hangar and other improvements located on the Premises that are damaged or destroyed by fire or other casualty, or required to be repaired, removed, or reconstructed by any governmental or military authority. Such repair, replacement, or reconstruction shall be accomplished within such time as may be reasonable under the circumstances after allowing for delays caused by strikes, lockouts, acts of God, fire, extraordinary weather conditions, or any other cause or casualty beyond the reasonable control of Lessee (the "Reasonable Time Period"). The design

and specifications of such repair, replacement, or reconstruction shall be as determined by Lessee; but such work shall restore the Premises to not less than its condition prior to said need for repair.

## ARTICLE 6: COVENANTS

The Lessee agrees to all of the following covenants:

(a) The Lessee shall not commit, suffer, or allow to be committed or suffered any acts of waste on the Premises, or commit or permit to be committed any acts which will in any way constitute a public or private nuisance or an unlawful or immoral act. Only the Approved Uses shall be permitted.

(b) All maintenance to the Hangar or other improvements or any repair of damages to same from any cause shall be the sole responsibility of the Lessee and shall be made in the Reasonable Time Period and at the Lessee's expense (unless such damage was caused by the negligence of the Lessor) and same shall comply fully with all applicable laws, ordinances, and other government regulations, codes, and directions.

(c) The Lessee shall not erect or install any sign of any kind anywhere in or on the Premises without the specific prior written consent of the Lessor. In addition, the Lessee shall not use any broadcast or audio advertising media, including but not limited to loudspeakers, phonographs, or radio or television broadcasts, in a manner visible or audible outside of the Hangar.

(d) The Lessee shall not install any exterior lighting or plumbing fixtures, shades, or awnings or exterior decoration or paintings or build any enclosures or audio or television antenna, loudspeakers, sound amplifiers, or similar devices on the roof or exterior walls of the Hangar without the specific prior written consent of the Lessor.

(e) The Lessee shall store all trash and garbage within proper receptacles in the Hangar and around the Premises. The Lessee shall not burn any trash or garbage of any kind in or about the Premises.

## ARTICLE 7: REMEDIES

7.01 In the event of any default by the Lessee with respect to any of the events below and the Lessee's failure to cure said default within 10 days after written notice thereof by the Lessor, the Lessor may immediately terminate this Lease and/or the Lessee's right to possession hereunder, and pursue any other remedy available to the Lessor at law or in equity and including, without limitation, those remedies set forth at the end of this Article, upon the happening of one or more of the following events:

- (a) The making by the Lessee of an assignment for the benefit of the creditors without the written consent of the Village Administrator;
- (b) The operation or supervision of any business other than the Approved Uses conducted in the Premises by the Lessee, or by anyone else, except only with the prior specific written consent of the Lessor;
- (c) The levying of a writ of execution or attachment on or against the property of the Lessee;

- (d) The doing, or permitting to be done, by the Lessee of any act which creates a mechanic's lien or claim therefor against the Premises or any part of the Premises;
- (e) The failure of the Lessee to pay any Rent when due, which shall not be in lieu of any statutorily prescribed remedies for the Lessee's failure to pay Rent but shall be in addition thereto;
- (f) If the estate created hereby shall be taken in execution or by other process of law or if proceedings are instituted in a court of competent jurisdiction for the reorganization, liquidation, or voluntary or involuntary dissolution of the Lessee or composition for the benefit of a creditor or for its adjudication as a bankrupt or insolvent, or for the appointment of a receiver of the property of the Lessee for any purpose and said proceedings are not dismissed, and any receiver, trustee, or liquidator appointed therein discharged within 10 days after the institution of said proceedings;
- (g) Any failure of the Lessee to keep and perform fully any of its covenants under this Lease;
- (h) The abandonment of the Premises by the Lessee or the discontinuance by the Lessee of the proper maintenance and operation of the Approved Uses for a consecutive period of three months or longer;
- (i) If the Lessee is a corporation, the sale of any of the Lessee's stock pledged for any purpose, whether by virtue of execution or otherwise.

7.02 Upon the event of a default hereunder by the Lessee, the Lessor shall have the right to cure the default, at its option, by any means reasonably necessary. In such event, the Lessee shall reimburse the Lessor for all reasonable costs incurred by the Lessor in curing the default.

7.03 Upon the termination of this Lease or the Lessee's right to possession hereunder, the Lessor may re-enter the Premises using such force as may be necessary and in compliance with applicable law and remove all persons, fixtures, property and equipment therefrom and the Lessor shall not be liable for damages or otherwise by reason of re-entry or termination of possession of the term of this Lease. Upon termination of either the Lessee's right to possession or the Lease, the Lessor shall be entitled to recover immediately an amount equal to the minimum rent for the balance of the term less the amount of any minimum rental obtained from any other lessee for the balance of the term in the event the said premises are re-let. Upon and after entry into possession without termination of this Lease, the Lessor may, but need not, re-let the Premises or any part thereof for the account of the Lessee for such rent, for such time and upon such terms as the Lessor in its sole discretion shall determine.

## ARTICLE 8: TAXES

The Premises is owned by the Lessor and is currently tax-exempt. Therefore, in the event the Lessee's operations on the Premises cause a tax to be assessed against, levied upon, or otherwise become payable in respect of the Premises or the use thereof, the Lessee shall pay all taxes relating to the Premises or to this Lease, including all real estate taxes, personal property taxes and leasehold taxes, unforeseen as well as foreseen, that are assessed against, levied upon and become payable in respect of the Premises or the use thereof during the term(s) of this

Lease; provided, however, that in the event such taxes are imposed as a result of Lessor's actions under the Lease, then the Lessee shall not be responsible for said taxes. Such payment of taxes by Lessee shall be in addition to the payment of Rent.

#### ARTICLE 9: INSURANCE; INDEMNIFICATION

9.01 The Lessee shall, at Lessee's sole cost, during the entire term hereof, keep in full force and effect a policy of airport liability and property damage insurance with respect to the Hangar and the Premises or any other occupant of the Premises, in which the limits of public liability shall not be less than \$1 million per occurrence. The policy shall name the Lessor and its trustees, officers, employees, attorneys, legal representatives, and agents as additional insureds and shall contain a clause that the insurer will not cancel or change the insurance without first giving the Lessor 30 days prior written notice thereof. The insurance shall be with companies licensed to do business in the State of Illinois. The insurance shall be in a form reasonably acceptable to the Lessor and a copy of the policy and a certificate of insurance shall be delivered to the Lessor prior to the commencement hereof. In the event the Lessee shall fail to procure said insurance, the Lessor may, but shall be under no obligation to, procure such insurance in which event the Lessee agrees to pay to the Lessor, as additional rent, the amount of premium therefore on the first day of the month following the month in which the Lessor notifies the Lessee of the amount of premium due hereunder.

9.02 The Lessee, shall at the Lessee's sole cost, during the entire term hereof, keep in full force and effect a policy for fire and property damage insurance with respect to the Hangar and all other Lessee property contained on the Premises, as well as all other improvements on the Premises, in such amount and form, and with such companies, as the Lessor may reasonably determine. The Lessee shall, from time to time, as requested by the Lessor, deliver certificates of such insurance verifying coverage to the Lessor.

9.03 Except only to the extent otherwise prohibited by law, the Lessee covenants and agrees to indemnify and hold harmless the Lessor and its trustees, officers, employees, attorneys, legal representatives, and agents from any and all losses, claims, damages, costs, or expenses, including attorney's fees, the Lessor may be required to pay as a result of acts and/or omissions of the Lessee or any agent of the Lessee.

#### ARTICLE 10: SUBORDINATION

The parties to this Lease desire that this Lease be prior in lien to all other documents, including mortgages, trust deeds, or other encumbrances that may hereafter be recorded against the Premises. Lessee agrees to subordinate any mortgage, trust deed, or other encumbrance that may hereafter be placed on the Premises, or to any advances to be made thereunder and to interest thereon and all renewals, replacements, and extensions thereof, to this Lease; and the Lessee agrees to execute any instrument or instruments which the Lessor may reasonably, at the Lessor's sole and complete discretion, require to effect such subordination, provided that the Lessee and its successors and assigns shall have the right to freely, peaceably, and quietly occupy and enjoy the full possession and use of said premises as long as the Lessee shall not be in default under this Lease, and subject to the Lessor's right to relocate the Lessee as set forth in Article 4 of this Lease. In the event of any mortgagee, trustee, or encumbrancer notifying the Lessee to that effect, this Lease shall be deemed prior in lien to said mortgage, trust deed, or encumbrance whether or not this Lease is dated prior to or subsequent to the date of said mortgage, trust deed, or encumbrance.

#### ARTICLE 11: IMPROVEMENTS; MECHANIC'S LIENS

11.01 This Section 11.01 is applicable if the Premises are unimproved as of the effective date of this Lease. During the term of this Lease, unless this Lease shall be sooner terminated in accordance with the terms hereof; the Lessee, at its sole cost and expense, shall construct or place on the Premises the Hangar and related improvements in accordance with the Lessee's plans and specifications as set forth in Exhibit C attached to and by this reference incorporated into this Lease (the "Plans"). The Hangar and related improvements shall be constructed in accordance with all applicable federal, state and local laws, codes, ordinances, and regulations and shall have the specific prior written approval of the Lessor.

11.02 All repairs, construction, modifications, alterations, or changes made by the Lessee to the Premises shall be done or contracted for only with the Lessor's specific prior written consent, which the Lessor may withhold for any reason that the Lessor deems sufficient. Notwithstanding anything to the contrary herein, no alterations to the Premises are allowed during the term(s) of this Lease except for the construction of the Hangar and related improvements. Any of the foregoing that the Lessee undertakes shall be done at the Lessee's sole cost and expense and none of the foregoing nor any other act shall be allowed or suffered which may create any mechanic's lien or claim for lien against the Premises. In the event any lien or claim for lien upon the Lessor's title or the Premises results from any act or neglect of the Lessee, and the Lessee fails to remove said lien or dismiss such claim for lien within 10 days after the Lessors notice to do so, the Lessor may, but need not, remove the lien or satisfy such claim for lien by paying the full amount thereof without any investigation or contest of the validity or amount thereof and the Lessee shall pay the Lessor promptly upon demand, and as additional rent, the amount paid out by the Lessor, including the Lessor's costs, expenses, and counsel fees.

#### ARTICLE 12: ASSIGNMENT OR SUBLETTING

The Lessee agrees not to assign, encumber, or in any manner transfer this Lease or any interest hereunder and not to permit the use or occupancy of the Premises, whether by license, concession or otherwise by anyone other than the Lessee without the specific prior written consent of the Lessor (which consent shall not be unreasonably denied); provided, however, that the Lessee may sublet the Premises for the remainder of the then existing Term with the prior written consent of the Lessor (which consent shall not be unreasonably denied) and subject to the terms of this Lease. Any assignment or subletting permitted hereunder shall not be deemed to relieve the Lessee of its obligation to pay rental and perform its other obligations hereunder. Consent by the Lessor of one assignment or one subletting or one use or occupancy of the Premises shall not constitute a waiver of the Lessor's rights under this Article as to any subsequent assignments, subletting, or use or occupancy. If the Lessee is a corporation or partnership, and if, during the term of this Lease, the ownership of the shares of stock or partnership interests which constitute control of the Lessee changes by reason of sale, gift, death, or otherwise, the Lessee shall provide the Lessor with written notice and confirmation of the new owner's intent to be bound by the terms of the Lease, along with evidence of the new owner's financial information to insure that the new owner is capable of performing the obligations set forth in this Lease. In the event the Lessor concludes, in the exercise of its discretion, that the new owner is not capable of performing the obligations under this Lease, the Lessor may at any time thereafter terminate this Lease by giving the Lessee written notice of such termination at least 30 days prior to the date of termination stated in the notice. Receipt of rent after such change of control shall not affect the Lessor's rights under the preceding sentence.

#### ARTICLE 13: UNTENANTABILITY

In the event that the Hangar shall be destroyed or so damaged by fire, explosion, windstorm, or other casualty as to be untenable, the Lessee shall within the Reasonable Time Period secure the Hangar and restore it in accordance with the terms of this Lease and rents due hereunder shall not be abated.

#### ARTICLE 14: SURRENDER OF PREMISES; HOLD OVER

14.01 At the expiration of the tenancy hereby created, whether by lapse of time or otherwise, or upon termination of the Lessee's right of possession, the Lessee shall immediately surrender possession of the Premises to the Lessor in good condition, and shall remove the Hangar and all other improvements therefrom. If such possession is not immediately surrendered, then the Lessor may immediately enter the Premises and possess itself thereof and remove all persons and effects therefrom using such force as may be necessary and in compliance with applicable law. If the Lessee shall fail or refuse to remove all of the Lessee's property from the Premises, then the Lessee shall be conclusively presumed to have abandoned the same, and title thereto shall thereupon pass to the Lessor without any cost either by set-off; credit, allowance, or otherwise, and the Lessor may at its option accept title to such property, or at the Lessee's expense may remove the same or any part thereof in any manner that the Lessor shall choose and store the same without incurring liability to the Lessee or any other person.

14.02 It is agreed and understood that any holding over by the Lessee of the Premises at the expiration or cancellation of this Lease shall operate and be construed as a tenancy from month to month at a rental of three times the current monthly rental, and in addition the Lessee shall be liable to the Lessor for all loss or damage on account of any holding over against the Lessor's will after the expiration or cancellation of this Lease, whether such loss or damage may be contemplated at this time or not. No receipt or acceptance of money by the Lessor from the Lessee after the expiration or cancellation of this Lease or after the service of any notice, after the commencement of any suit, or after any judgment for possession of the Premises, shall reinstate, continue or extend the terms of this Lease, or affect any such notice, demand, or suit or imply consent for any action for which the Lessor's consent is required or operate as a waiver of any right of the Lessor to retake and resume possession of the Premises and remove the structures.

#### ARTICLE 15: COSTS AND FEES

The Lessee shall pay upon demand all of the Lessor's costs, charges, and expenses, including fees of attorneys, agents, and others retained by the Lessor, incurred in enforcing any of the obligations of Lessee under this Lease or in any litigation, negotiation, or transaction in which the Lessor shall, without the Lessor's fault, become involved through or on account of this Lease. In the event it becomes necessary for either party hereto to file suit to enforce this Lease or any provision contained herein, the prevailing party in such suit shall be entitled to recover, in addition to all other remedies or damages provided for in this Lease, reasonable attorneys' fees and costs incurred in such suit at trial or on appeal or in connection with any bankruptcy or similar proceeding.

#### ARTICLE 16: SUCCESSORS AND ASSIGNS

The terms, covenants, and conditions hereof shall be binding upon, apply and inure to the benefit of the heirs, executors, administrators, successors in interest and assigns of; the parties hereto. No rights, however, shall inure to the benefit of any assignee or sub-lessee of the Lessee



except only if such assignment or sublease has been specifically consented to by the Lessor in writing as provided herein.

#### ARTICLE 17: REMEDIES CUMULATIVE

All rights and remedies of the Lessor enumerated in this Lease shall be cumulative and none shall exclude any other right or remedy allowed by law, and said rights and remedies may be exercised and enforced concurrently as often as occasion therefor arises.

#### ARTICLE 18: ESTOPPEL CERTIFICATE

Each party agrees at any time and from time to time, upon not less than 20 days prior written request by the other, to execute, acknowledge, and deliver to the other a statement in writing certifying that this Lease is unmodified and in full force and effect and the date to which the rental and other charges have been paid in advance, if any, it being intended that any such statement delivered pursuant to this paragraph may be relied upon by any prospective purchaser of this leasehold or the fee, or mortgagee or assignee of any mortgage upon this leasehold or the fee of the Premises.

#### ARTICLE 19: MISCELLANEOUS

19.01 The necessary grammatical changes required to make the provisions of this Lease apply to the past, present, and future and in the plural sense where appropriate and to corporations, associations, partnerships, or individuals, male or female, shall in all instances be assumed as though in each case fully expressed.

19.02 The laws of, but not the conflicts of law rules of, the State of Illinois shall govern the validity, performance, and enforcement of this Lease.

19.03 The headings of several articles contained herein are for convenience only and do not limit or construe the contents of the articles.

19.04 All of the covenants of this Lease are independent covenants. If any provisions of this Lease are found by a court of competent jurisdiction to be illegal, invalid, or unenforceable, then the remainder of the Lease will not be affected, and in lieu of each provision which is found to be illegal, invalid, or unenforceable, there will be added as part of this Lease a provision as similar to such illegal, invalid, or unenforceable provision as may be possible and be legal, valid, and enforceable.

19.05 Notwithstanding any other provision to the contrary herein, either Lessor or Lessee may, in its sole discretion, terminate this Lease upon 30 day's written notice to the other party.

#### ARTICLE 20: NOTICES

Any notices required or desired to be given under this Lease shall be in writing and (i) personally served, (ii) given by certified mail, return receipt requested, (iii) given by overnight express delivery, or (iv) given by facsimile transmission, with any such facsimile transmission confirmed by next business day overnight express delivery. Any notice shall be addressed to the party to receive it at the following address or at such other address as the party may from time to time direct in writing:



Village of Lake in the Hills  
Public Works Department  
9010 Haligus Road  
Lake in the Hills, IL 60156

**To the Lessee at:**

Finnegan Aviation Services, LLC  
Edward Finnegan  
69 Mohawk Street  
Cary, Illinois 60013

**and to the Lessor at:**

Village of Lake in the Hills  
600 Harvest Gate  
Lake in the Hills, Illinois 60156  
Attention: Village Administrator

**with a copy to:**

Village of Lake in the Hills  
600 Harvest Gate  
Lake in the Hills, Illinois 60156  
Attention: Airport Manager

Express Delivery notices shall be deemed to be given upon receipt. Postal notices shall be deemed to be given three days after deposit with the United States Postal Service. Facsimile notices shall be deemed given upon the date of transmission, provided that compliance is made with the remaining obligations of this Article 20.

**ARTICLE 21: PRIOR AGREEMENTS**

This Lease replaces and supersedes any other written or oral prior agreement, arrangement, or understanding between the Lessee and the Lessor or its agent, which prior agreement(s) shall be considered null and void and of no further effect whatsoever as of the date hereof.

IN WITNESS WHEREOF, the parties have executed this Lease as of the day and year above.

[LESSOR] VILLAGE OF LAKE IN THE HILLS

By: \_\_\_\_\_  
**Village President**

Attest: \_\_\_\_\_  
**Village Clerk**

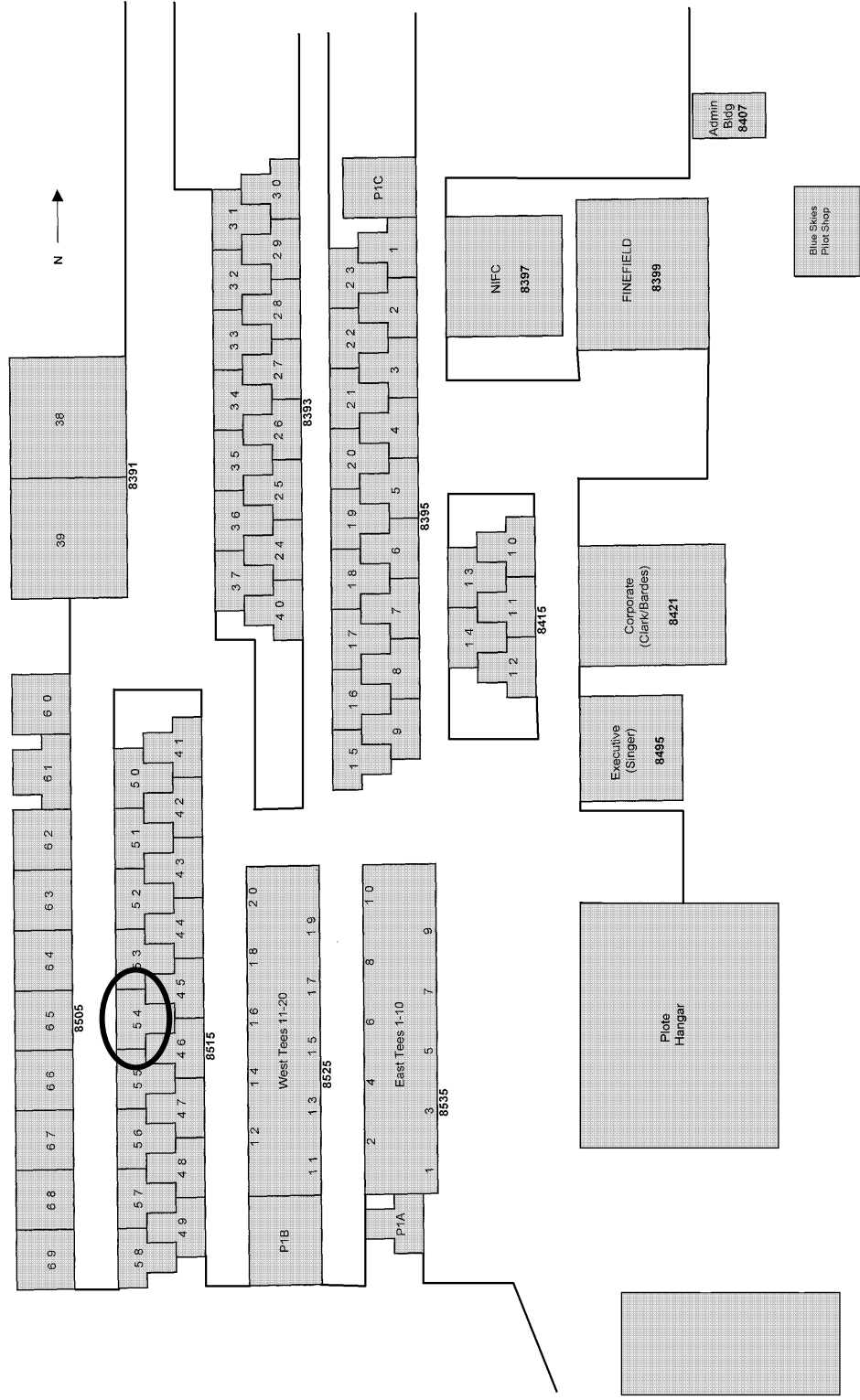
[LESSEE] Finnegan Aviation Services, LLC

By: \_\_\_\_\_  
Edward Finnegan, President

Title:



EXHIBIT A





**EXHIBIT B**  
**Rent Schedule**

<b>Village Owned Facility Leases and Tie Downs</b>		
<b>Description</b>	<b>Rate</b>	<b>Frequency</b>
Hard surface tie downs	\$90.00	Monthly
Grass tie downs	\$60.00	Monthly
East and West T-Hangar Building Leases	\$299.00	Monthly
Maintenance Hangar Building Lease	\$2,881.78	Monthly
8603 Pyott Road Building Lease	\$2,075.91	Monthly

<b>Overnight Transient Storage</b>		
<b>Description</b>	<b>Rate</b>	<b>Frequency</b>
Grass Tie Down	\$5.00*	Daily
Hard Surface Tie Down or Ramp Area	\$10.00*	Daily
T-Hangar	\$30.00	Daily

\*\$5 or \$10 respectively of the overnight transient fees will be waived if the aircraft operator purchases at least

<b>Land Leases</b>		
<b>Description</b>	<b>Rate</b>	<b>Frequency</b>
Square Hangars	\$12.42*	Cents per Month
T-Hangar Size A (39'3" x 14'8"; 16'6" x 14'7" approx.)	\$191.45	Monthly
T-Hangar Size B (42'3" x 18'; 16'5" x 20'7" approx.)	\$199.17	Monthly
T-Hangar Size C (46' x 21'; 19'6" x 23'8" approx.)	\$214.58	Monthly

15 gallons of aviation fuel in conjunction with that overnight stay.

\*Per square foot of land area occupied based on the outside perimeter of the structure (rounded to the nearest foot) unless otherwise specified in the lease.

<b>Private Hangar Electrical Service Fee (monthly fee by breaker size and configuration)</b>		
<b>Breaker Size (Amps)</b>	<b>Monthly Fee (USD)</b>	<b>Comments</b>
20	\$9	Single breaker serves 3 individual hangars
20	\$13	Single breaker serves 2 individual hangars
20	\$26	Fee per individual breaker
30	\$38	Fee per individual breaker
40	\$51	Fee per individual breaker
50	\$64	Fee per individual breaker
60	\$77	Fee per individual breaker



**EXHIBIT B CONTINUED**

**Disconnect/Reconnect – Electrical**

If a tenant makes a request to the Village to disconnect Village provided electrical service to a private hangar, the disconnection may be completed subject to review to ensure it is feasible to complete the request. If the request is approved the tenant will not be allowed to reconnect to the Village provided electrical service for a period of 12 months. The 12-month period shall start on the date the electrical is disconnected to the private hangar. After the 12-month period, the tenant can submit a request to reconnect to the Village provided electrical service. The Village will charge a fee of \$65.00 to reconnect the Village provided electrical service.

**Non-Aeronautical Storage**

The following non-aeronautical storage lease rates shall be effective upon execution of a new lease:

<b>Area in Square Feet</b>	<b>Monthly Rental Rate</b>
10 x 10	\$33
10 x 30	\$75

**Waiver to Late Fees**

If a late fee is assessed according to the lease, a request to waive the late fee may be considered by the Village Finance Department. The late fee may be waived in the event all of the following conditions are met:

1. A written request to waive the late fee must be presented to the Finance Department; and
2. The Finance Department must receive the written request to waive the late fee by the last business day of the month the payment was due and was not received until after the 10<sup>th</sup> of the same month; and
3. The tenant has displayed a good payment history during the preceding 12 months. A good payment history shall be defined as having a) no late fees posted to the account, and b) no late fee waiver requested for the account during the preceding 12 months and c) no returned payments associated with the account.



Village of Lake in the Hills  
Public Works Department  
9010 Haligus Road  
Lake in the Hills, IL 60156

**EXHIBIT C**  
**Plans**

Not Applicable.