

**VILLAGE OF VERNON HILLS
RESOLUTION 2025-066**

A RESOLUTION ADOPTING A REVISED PENSION FUNDING POLICY

WHEREAS, the Village of Vernon Hills (the “Village”) is obligated under Illinois law to make employer contributions for the benefit of eligible employees and beneficiaries participating in the Village’s pension systems, including the Illinois Municipal Retirement Fund (“IMRF”) and the Vernon Hills Police Pension Fund (the “Police Pension Fund”); and

WHEREAS the Village has previously adopted a Pension Funding Policy pursuant to Resolution 2015-122 on July 15, 2015; and

WHEREAS, the Village desires to adopt an updated Pension Funding Policy to guide the Village’s budgeting, appropriation, levy (as applicable), and payment practices for pension contributions and to promote long-term funding stability and transparency; and

WHEREAS, the updated Pension Funding Policy dated December 9, 2025 is attached hereto as **Exhibit A..**

NOW, THEREFORE, BE IT RESOLVED BY THE PRESIDENT AND BOARD OF TRUSTEES OF THE VILLAGE OF VERNON HILLS, LAKE COUNTY, ILLINOIS, as follows:

SECTION 1: ADOPTION – The Pension Funding Policy, attached as Exhibit A, is hereby approved and adopted by the Village Board.

SECTION 2: SUPERSESSION - The Pension Funding Policy adopted by Resolution 2015-122 is superseded and replaced by the Pension Funding Policy adopted herein, effective as of the effective date of this Resolution.

SECTION 3: IMPLEMENTATION - The Village Manager and Finance Director are authorized and directed to implement the Pension Funding Policy in connection with the Village’s annual budget, appropriation, levy (as applicable), and contribution payment practices, consistent with applicable law.

SECTION 2: EFFECTIVE DATE - This Resolution shall be in full force and effective from and after its passage and approval.

SECTION 3: RESOLUTION NUMBER - This Resolution shall be known as Resolution Number 2025-066.

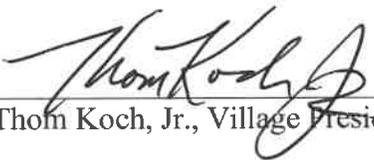
Dated the 9th of December, 2025.

Adopted by roll call votes as follows:

AYES: 7 – Marquardt, Oppenheim, Forster, Schenk, Takaoka, Lundeen, Koch

NAYS: 0 - None

ABSENT AND NOT VOTING: 0 – None


Thom Koch, Jr., Village President

PASSED: 12/09/2025

APPROVED: 12/09/2025

ATTEST: 12/09/2025

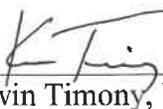

Kevin Timony, Village Clerk



EXHIBIT A

Village Of Vernon Hills Pension Funding Policy



Pension Funding Policy

Thom Koch Jr., President

Trustees

Michael Marquardt

David Oppenheim, MD

Craig Takaoka

Nancy Forster

Michael Schenk

Monica Lundeen

Staff

Kevin Timony, Village Manager/Clerk

Thomas Lyons, Finance Director/Treasurer

Presented to the Village Board

12/9/2025

	POLICY	Pension Funding	REVISION HISTORY
	ADOPTED DATE		2015-122 07/15/2015
	DEPARTMENT	Finance	

This policy has been adopted by Resolution of the Village Board of the Village of Vernon Hills and replaces all previous Pension Funding Policies.

1. Introduction

The Village of Vernon Hills participates in two active pension plans: the Illinois Municipal Retirement Fund (IMRF) and the Vernon Hills Police Pension.

Illinois Municipal Retirement Fund (IMRF)

The Village's Regular IMRF Plan is a defined benefit agent multiple-employer public pension plan managed by IMRF. Because IMRF is a multi-employer plan and is not managed by the Village, it is not reported as a separate fund of the Village (unlike the Police Pension Fund). Benefit provisions are established by statute and may only be changed by the General Assembly of the State of Illinois. IMRF issues a publicly available Annual Comprehensive Financial Report (ACFR) that includes financial statements, detailed information about the pension plan's fiduciary net position, and required supplementary information. IMRF's ACFR is available for download at www.imrf.org.

Vernon Hills Police Pension

Sworn police personnel of the Village are covered by the Police Pension Fund of the Village. Although this is a single-employer pension plan established under Article 3 of the Illinois Pension Code, the defined benefits and employee and employer contribution levels are governed by Illinois Compiled Statutes (40 IL CS 5/3-1) and may be amended only by the Illinois General Assembly. The Village accounts for the Plan as a pension trust fund. The Plan does not issue a stand-alone report but is reported as a fiduciary fund in the Village's Comprehensive Annual Financial Report (ACFR). The Village's ACFR is available for download at www.vernonhills.org.

The Plan is governed by a five-member Board of Trustees. Two members of the Board of Trustees are appointed by the Village President, one member is elected by pension beneficiaries, and two members are elected by active police employees of the Village.

2. Purpose

The purpose of this policy statement is to define the process and plan in which the Village of Vernon Hills funds the long-term cost of benefits promised to stakeholders in a cost-effective manner with transparency and accountability. This funding policy will acknowledge the Village's responsibilities under the law and follow best practices while ultimately ensuring pension promises can be paid, employer costs can be managed, and the plan to fund pensions is clear to everyone.

This Pension Funding Policy applies to the pension funds in which employees of the Village of Vernon Hills are enrolled. The specific pensions covered by this policy include:

- A. Vernon Hills Police Pension Fund - **[Fiduciary Fund of the Village]**
- B. Illinois Municipal Retirement Fund (IMRF) - **[IMRF is not a fund of the Village]**

3. Objectives

The financial objective of a defined benefit pension plan is to fund the long-term cost of benefits provided to the plan participants and beneficiaries. In order to assure the plan is financially sustainable, the plan should accumulate adequate resources in a systematic and disciplined manner over the active service life of benefiting employees. The Village is committed to achieving this objective through the following:

A. Actuarially Determined Contributions (ADC)

Ensure pension funding plans are based on actuarially determined contributions that incorporate both the cost of current benefits and the amortization of the plan's unfunded actuarial accrued liability. For purposes of this policy, ADC includes any actuarially determined required contribution sometimes referred to as the ARC in actuarial reports.

B. Funding Discipline

Build funding discipline into the policy to remit timely contributions to the pension funds to ensure that sufficient assets will be available to pay benefits as promised.

C. Intergenerational Equity

Maintain intergenerational equity so that the cost of benefits is paid by the generation of taxpayers who receive services from pension participants.

D. Contributions as a Stable Percentage of Payroll

Contributions should be managed so that employer costs remain consistent as a percentage of payroll over time.

E. Accountability and Transparency

Clear reporting of pension funding should include an assessment of whether, how and when the Village will ensure sufficient assets will be available to pay benefits as promised.

F. Ethics and Conflicts of Interest

Officers and employees involved in the pension funding process shall refrain from personal business activity that could conflict with the proper execution and management of the pension funding program, or that could impair their ability to make impartial decisions.

4. Contributions and Funding Target

Illinois Municipal Retirement Fund (IMRF)

IMRF is funded through employee and employer contributions and investment returns. Regular Plan members contribute 4.5% of covered salary as required by statute. The Village will remit the employer contributions required by IMRF in the amounts and on the schedule determined by IMRF. Employee and employer contributions are collected through the Village's bi-weekly payroll process and remitted to IMRF on a monthly basis. Because IMRF establishes the actuarial assumptions, methods, and employer rates for participating employers, the Village does not adopt separate IMRF actuarial assumptions under this policy.

Vernon Hills Police Pension

The Police Pension Fund is funded through employee and employer contributions and investment returns. Covered employees contribute 9.91% of base salary as required by statute. Employee contributions are collected through the Village's payroll process and remitted to the Pension Fund after each payroll.

Authority and compliance. This policy governs the Village's budgeting and funding decisions and does not supersede the statutory authority of the Police Pension Board. The Village will comply with all applicable statutory funding requirements for the Police Pension Fund.

Funding objective and contribution targets. As a matter of financial policy, the Village adopts a long-term funding objective that is more conservative than the statutory minimum goal: the Village's funding objective is to budget and remit contributions intended to achieve, over the long term, 100% funded by 2040. Accordingly, the Village's annual employer contribution target shall be no less than the contribution amount shown in the most recent actuarial valuation presented by the Police Pension Board as necessary to achieve the Village's adopted funding objective (the "Policy Target Contribution"). The Policy Target Contribution may exceed the statutory minimum contribution (the "Required Minimum Employer Contribution" determined under applicable law and reflected in the official actuarial valuation). When financially feasible, the Village may approve supplemental contributions above the Policy Target Contribution to reduce long-term cost and risk.

Funding source and payment schedule. Because the Village does not levy a property tax, the Village will fund the employer contribution from general revenues and will remit the employer contribution in four equal quarterly installments (or more frequently as administratively feasible) each fiscal year, plus any additional amounts approved by the Village Board.

Use of the statutory minimum. The statutory minimum contribution is a legal compliance measure and is not, by itself, considered an adequate funding target for long-term stability. The Village will not adopt the statutory minimum as its contribution policy target except under declared financial exigency by the Village Board and only with a written remediation plan.

5. Reporting

Funding of the Vernon Hills Police and IMRF pensions shall be transparent to stakeholders including plan participants, annuitants, the Police Pension Board of Trustees, the Village Board of Trustees and Vernon Hills residents. To achieve this transparency, the following information shall be distributed:

- A. A copy of the annual actuarial evaluation for all funds shall be made available to the Village Board and Police Pension Board of Trustees.
- B. The Village's annual budget shall include the Village's contributions to the Police Pension and IMRF pension.
- C. The Village's Annual Comprehensive Financial Report (ACFR) shall be published on its website. In this report, the Village will reflect the Village's annual required contribution and the value of the outstanding pension liabilities as directed by the Governmental Accounting Standards Board (GASB).
- D. Annually, staff will report to the Village Board and Police Pension Board (i) the Required Minimum Employer Contribution, (ii) the Policy Target Contribution, (iii) the actual employer contribution budgeted/remitted, and (iv) any variance with an explanation.

6. Future Amendments

Funding a defined benefit pension plan requires a long-term horizon. Provisions of the policy focus on long-term trends, not year-to-year shifts in the economic or non-economic environments. This policy shall be periodically reviewed and if, in the opinion of the Finance Director, conditions

change to such an extent so as to alter the effectiveness of this policy statement, such circumstances shall be brought to the attention of the Village Board of Trustees for their consideration and review.

7. Effective Date

This policy shall be effective immediately upon approval by the Village Board of Trustees.