

Public Safety Pension Funding

JEFF FIEGENSCHUH, CITY MANAGER



PENSIONS 101: Downstate Police & Fire Pension Fund 40 ILCS 5/3 & 5/4-125

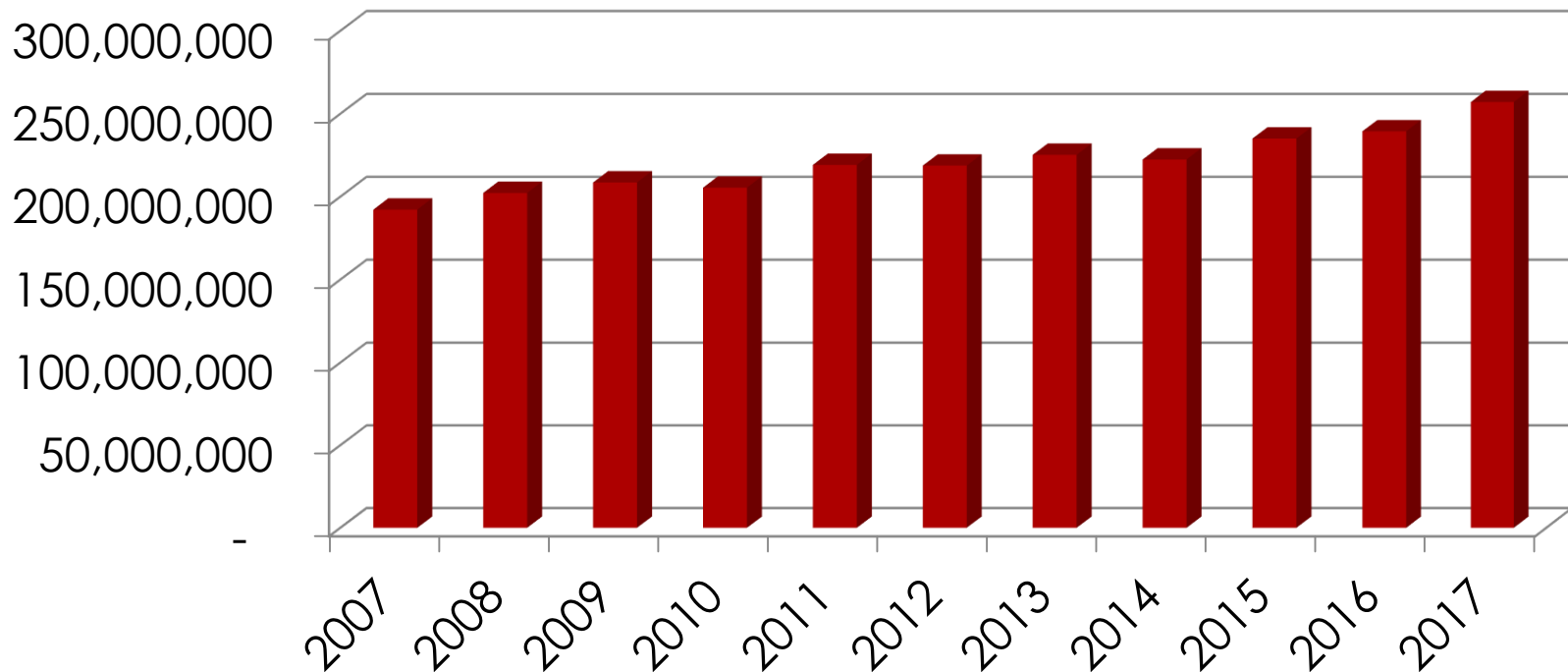
- ▶ State statute-required benefits for eligible municipal public safety employees in municipalities with 5,000 - 500,000 citizens
- ▶ Firefighter employee contribution = 9.455% of salary
- ▶ Police employee contribution = 9.91% of salary
 - ▶ Note: Employee contribution for Social Security & Medicare = 7.65%
 - ▶ Police and Firefighters don't receive Social Security benefits on their income derived from public safety
- ▶ All employee benefit levels are set by state statute not at the local level.
- ▶ Employer contribution based on investment returns, actuarial analysis and changing benefit levels
- ▶ IL Constitution prohibits diminishing of pension benefits. All benefit levels and employee contribution levels are set by the state of IL.
- ▶ City levies the property tax and upon receipt the appointed pension board oversees the investment. Per state statute only certain investments are able to be made.

PENSIONS 101: Sources of Funding

- ▶ **Funded primarily through property taxes (since the great recession property values have not kept up with increasing obligations). The only sources of revenue for funding pensions are employee and employer contributions along with investment earnings.**
- ▶ **The City of Rochelle general fund revenues have seen slight increases. While overall EAV has been steadily increasing, residential property values have remained flat.**
- ▶ **Based on current rate of return and updated actuarial assumptions, the average annual increase for contributions is 3%-5%. Must be funded 90% by 2040.**
- ▶ **IMRF, Police and Fire pensions are listed as a Long-Term Debt on the City's balance sheet. Unfunded portion of \$11,068,488 for police and fire as of most recent audit. The unfunded portion does not include the annual cost. This is the cost of an active members participation in the pension fund. If the fund were 100% funded, we would still have this cost as we progress forward.**

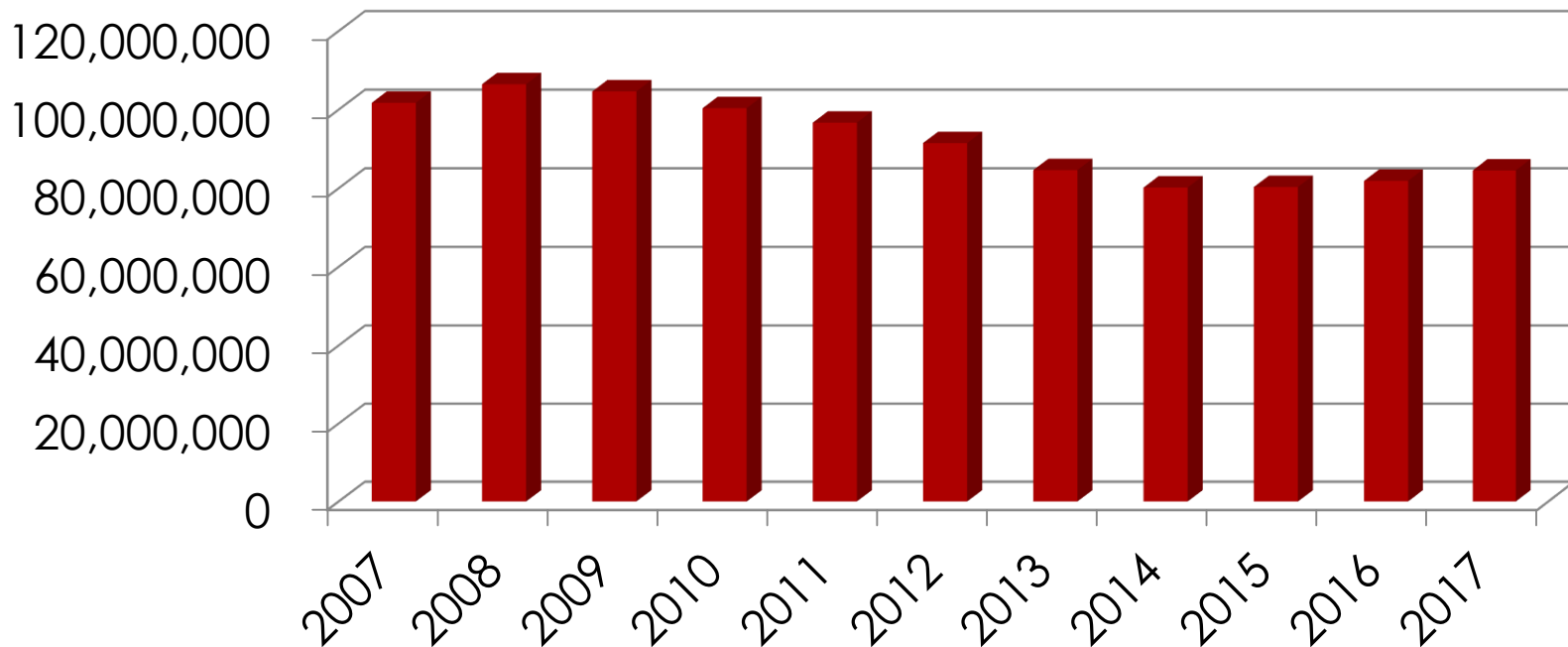
Most Property Types have Increased in Value in Recent Years

Total EAV by Fiscal Year

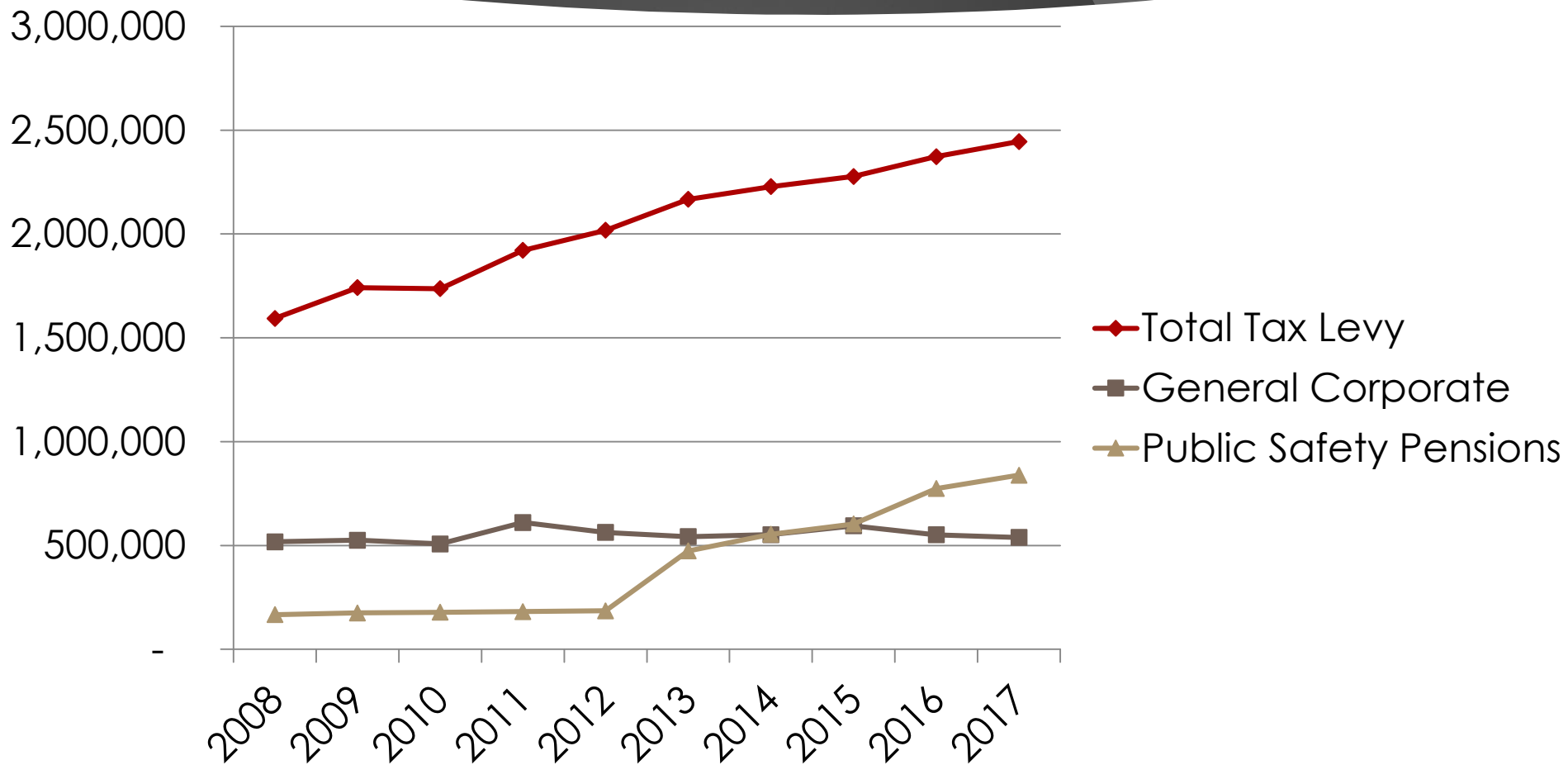


Residential Property Values are Starting to Increase

Residential Property

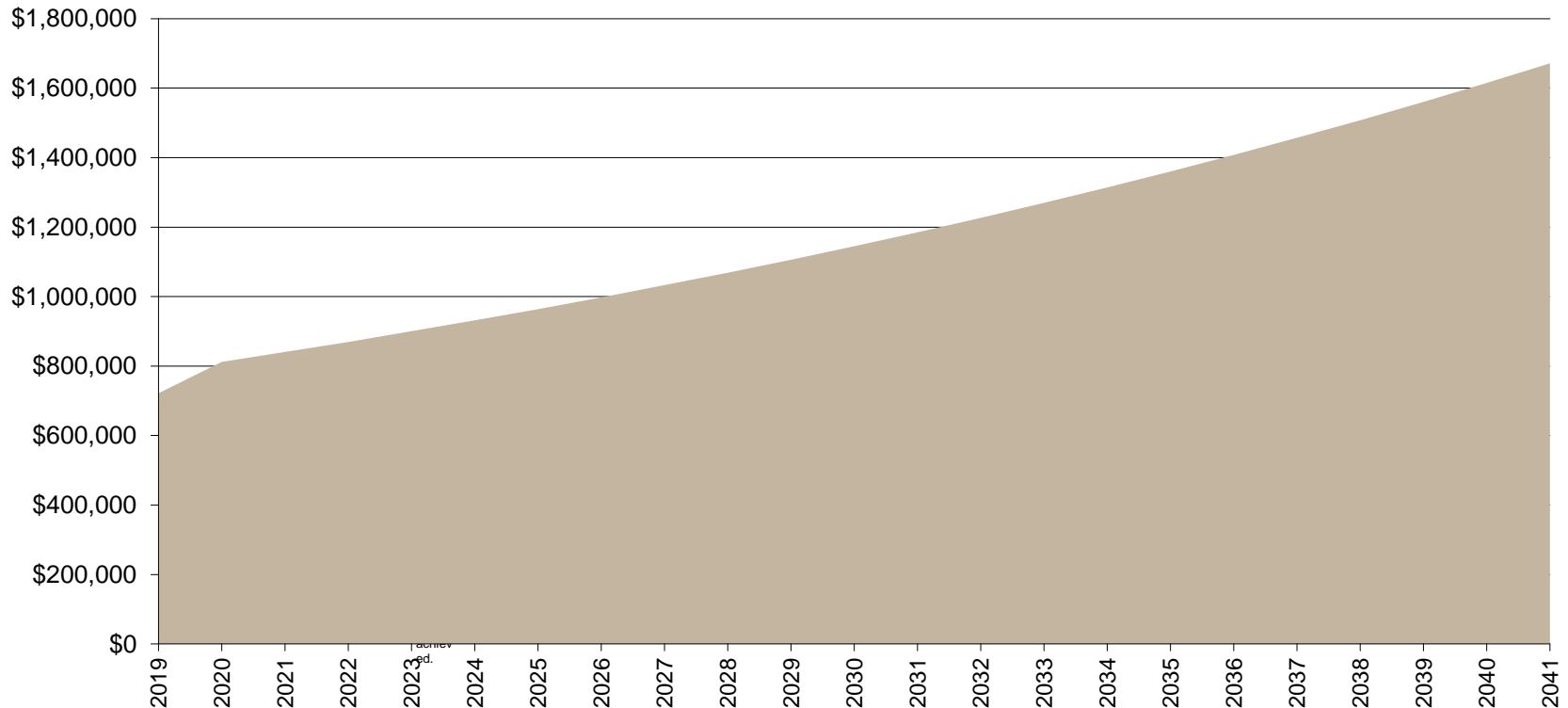


City of Rochelle Tax Levy Through Fiscal Year 2017



2019-2041 Projected Required Contribution

Annual Payment to Amortize Police and Firefighters' Pension Funds UAAL ⁽¹⁾



(1) Assumes actuarially projected results are achieved.

Summary of the City's Police and Firefighters' Pension Plans

The City's Police and Firefighters' Pension Plans had the following characteristics as shown in the City's 12/31/17 Comprehensive Annual Financial Report:

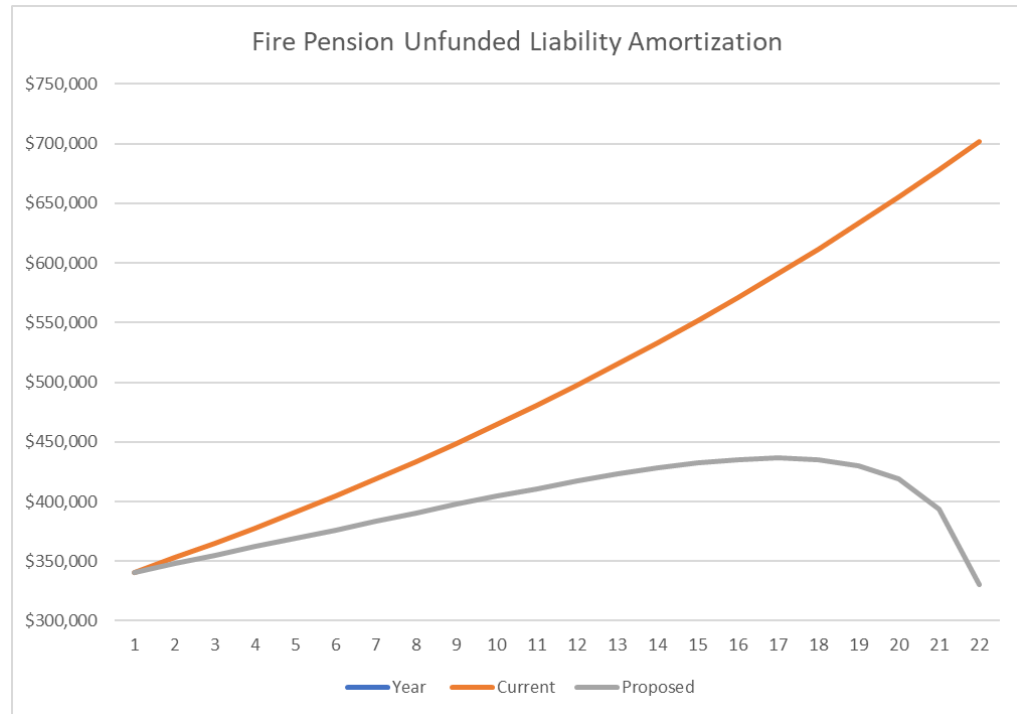
- City of Rochelle has unfunded Police pension liabilities of approximately \$5.986 million.
- City of Rochelle has unfunded Firefighters' pension liabilities of approximately \$5.082 million.
- Combined funding level of 61%, (statewide average for downstate pension plans is 57.58%)
- Police Pension plan funded at 94.2% on 4/30/09, Fire Pension plan funded at 92.7% on 4/30/07.
- The pension funds assumed rate of return is 6.75%, which is used to calculate annual contributions. Lower ROR means higher annual payments.

City Fiscal Responsibility & Staff Recommendation

- ▶ Historically, the City has funded 100% of the city's actuarial recommended levels. The State DOI also provides recommendations, but typically lower.
- ▶ Jan 1, 2018 actuary report recommended City's portion of the fire pension funding level be \$482,180 (This includes the normal contribution and the unfunded liability). This represents a \$17,192 increase over the previous year.
- ▶ Jan 1, 2018 actuary report recommended City's portion of the police pension funding level be \$614,329 (This includes normal contribution and unfunded liability). This represents an increase of \$56,455 from the previous year.
- ▶ **Staff Recommends beginning in 2020, the City Council reallocate all gaming revenues to the police & fire pension funds**
 - ▶ **\$140,000 budgeted in current FY. This amount will be split evenly between the pension funds.**
 - ▶ **This amount will be above and beyond the annual amount levied based on the actuarial recommendations.**
 - ▶ **These funds will be utilized to buy down the unfunded liability.**

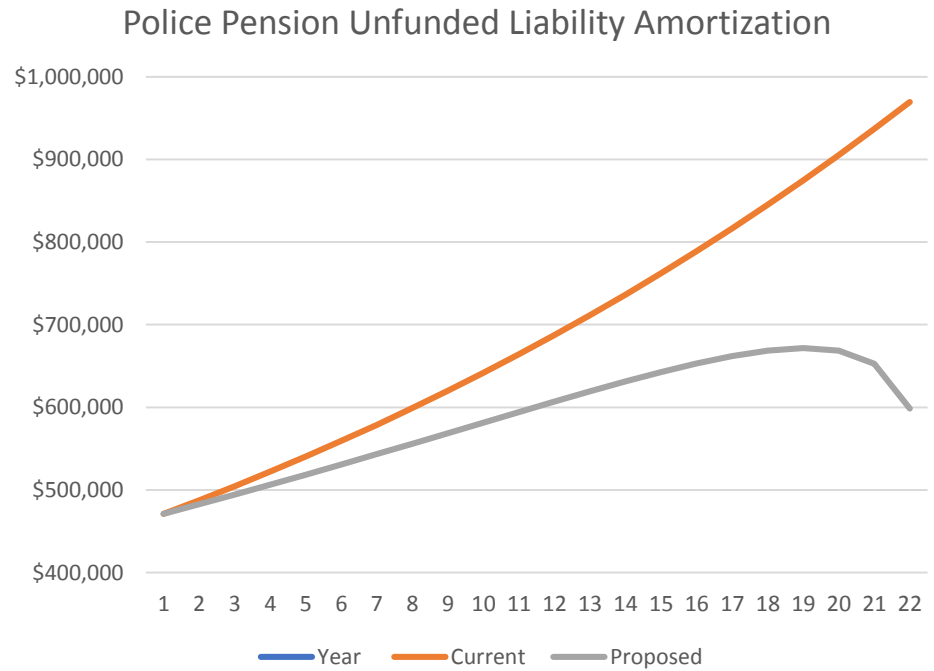
Funding Options- Fire Pension

Year	Current	Proposed	Savings
1	340,859	340,859	-
2	352,790	347,856	4,934
3	365,137	354,921	10,216
4	377,917	362,040	15,877
5	391,144	369,191	21,953
6	404,834	376,348	28,486
7	419,003	383,483	35,520
8	433,668	390,555	43,113
9	448,847	397,518	51,329
10	464,556	404,312	60,244
11	480,816	410,861	69,955
12	497,644	417,069	80,575
13	515,062	422,806	92,256
14	533,089	427,904	105,185
15	551,747	432,128	119,619
16	571,058	435,145	135,913
17	591,045	436,459	154,586
18	611,732	435,284	176,448
19	633,143	430,265	202,878
20	655,303	418,724	236,579
21	678,238	394,085	284,153
22	701,977	330,484	371,493
	10,678,750	8,377,438	2,301,312



Funding Options-Police Pension

Year	Current	Proposed	Savings
1	470,912	470,912	-
2	487,394	482,460	4,934
3	504,452	494,237	10,215
4	522,108	506,231	15,877
5	540,382	518,429	21,953
6	559,295	530,810	28,485
7	578,871	543,350	35,521
8	599,131	556,018	43,113
9	620,101	568,772	51,329
10	641,804	581,560	60,244
11	664,267	594,313	69,954
12	687,517	606,941	80,576
13	711,580	619,324	92,256
14	736,485	631,300	105,185
15	762,262	642,643	119,619
16	788,941	653,028	135,913
17	816,554	661,968	154,586
18	845,134	668,686	176,448
19	874,713	671,835	202,878
20	905,328	668,750	236,578
21	937,015	652,861	284,154
22	969,810	598,318	371,492
	15,224,056	12,922,746	2,301,310



City of Rochelle

- ▶ Rochelle's Standard & Poor's bond rating is AA
- ▶ Received Certificate of Achievement for Excellence in Financial Reporting since 2015

- ▶ Contact Jeff Fiegenschuh with any additional questions at 815-561-2000