

REIMER & KARLSON LLC

A PUBLIC SAFETY LAW FIRM

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OF COUNSEL
ROBERT W. TREVARTHEN

November 15, 2013

Honorable Chet Olson, Mayor
City of Rochelle
420 N. 6th St.
P.O. Box 601
Rochelle, IL 61068

By Certified Return Receipt Mail

Re: Rochelle Firefighters' Pension Fund-Annual Tax Levy Requirements

Dear Mayor Olson:

Please be advised that the undersigned is legal counsel for the Rochelle Firefighters' Pension Fund. At the November 14, 2013, Pension Board meeting, the Pension Board Trustees discussed the annual tax levy/municipal contribution requirements for the Pension Fund for the upcoming tax year. As you are aware, the Pension Board either relies on actuarial valuation performed by the Illinois Department of Insurance or an independent actuary employed by the Pension Board.

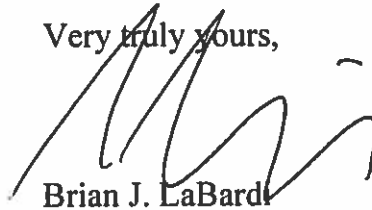
In this case, the Pension Board relied upon the Actuarial Valuation of Timothy W. Sharpe, an independent actuary retained by the Pension Board, for purposes of determining the "recommended levy". Mr. Sharpe's recommended levy for the upcoming tax year, in order to satisfy the annual requirements of the Rochelle Firefighters' Pension Fund, as required by §5/4-118 of the Pension Code, is \$289,936.00. A copy of the "Summary" Report is enclosed for your review.

Accordingly, pursuant to §5/4-118 of the Pension Code, the Rochelle Firefighters' Pension Board is requesting that the City of Rochelle levy or contribute that amount for the upcoming tax year in order to satisfy the annual requirements of the Rochelle Firefighters' Pension Fund. In the event that the City will not be levying or contributing this amount, please advise me.

Additionally, pursuant to 40 ILCS 5/4-134, enclosed please find a copy of the Board's municipal compliance report.

Thank you for your anticipated cooperation and assistance in this matter. Please do not hesitate to contact the undersigned should you have any questions concerning this matter.

Very truly yours,

A handwritten signature in black ink, appearing to read 'B. LaBard', written over the typed name.

Brian J. LaBard

cc: Firefighter Robert Workman, President
Rochelle Firefighters' Pension Board

October 31, 2013

**CITY OF ROCHELLE
Actuarial Valuation Results**

FIRE	<u>5/1/12</u>		<u>5/1/13</u>	
	Int: 7.50%	Int: 7.50%	Int: 7.50%	Int: 7.50%
	<u>Sal: 5.50%</u>	<u>Sal: 5.50%¹</u>	<u>Sal: 5.50%²</u>	<u>Sal: 5.50%³</u>
1. City Normal Cost	106,603	113,677	119,840	113,313
2. Accrued Liability	8,756,844	8,962,786	9,154,239	8,835,546
3. Assets	7,462,694	7,702,391	7,702,391	7,702,391
4. Unfunded Liability/(Surplus)	1,294,150	1,260,395	1,451,848	1,133,155
5. Amortization of UL	57,335	57,341	66,052	11,356
6. Interest for One Year	12,295	12,826	13,942	9,350
7. Tax Levy Requirement (1+5+6)	<u>176,233</u>	<u>183,844</u>	<u>199,834</u>	<u>134,019</u>
8. Payroll	729,664	814,648	814,648	814,648
9. Percent Funded (3/2)	85.2%	85.9%	84.1%	87.2%

¹ Reflects Entry Age, 28-year, 100% Amortization, Smoothed Market, 1971GA Mortality

² Reflects Entry Age, 28-year, 100% Amortization, Smoothed Market, RP2000 Mortality

³ Reflects PA 096-1495, PUC, 28-year, 90% Amortization, Smoothed Market, RP2000 Mortality

October 31, 2013

**CITY OF ROCHELLE
Firefighters Pension Fund**

Investment Performance 2004-2013

	FYE 04	FYE 05	FYE 06	FYE 07	FYE 08	FYE 09	FYE 10	FYE 11	FYE 12	FYE 13
BOY Assets	4,632,937		5,492,854		6,591,829	6,742,274	6,028,558	6,818,820	7,259,152	7,268,372
City Contribution	172,608		188,290		131,521	139,398	118,859	229,306	91,222	151,275
Firefighter Contribution	49,245		53,541		72,448	73,647	73,055	77,411	83,274	75,744
Pension Payments	128,113		237,270		257,057	271,620	373,114	426,720	446,004	473,736
Expenses	8,876		7,885		5,732	6,541	4,861	5,743	10,240	13,372
Income	426,087		490,189		209,264	(648,601)	976,323	566,078	290,968	600,331
EOY Assets	5,143,889		5,979,718		6,742,274	6,028,558	6,818,820	7,259,152	7,268,372	7,608,614
Annual Yield	9.11%		8.93%		3.19%	-9.67%	16.45%	8.38%	4.09%	8.41%
5-Year Yield (2009-13)	5.53%									
10-Year Yield (2004-13)	6.11%									

Timothy W. Sharpe, Actuary, Geneva, IL (630) 262-0600

CITY OF ROCHELLE FIREFIGHTER PENSION FUND SALARY HISTORY

Name	2009 Salary	Increase	2010 Salary	Increase	2011 Salary	Increase	2012 Salary	Increase	2013 Salary
Johnson, Brian L	67,753	15.1%	78,000	5.0%	81,910	0.3%	82,160	2.8%	84,427
Sawsville, David W	67,753	0.0%	67,753	7.2%	72,644	2.2%	74,274	2.7%	76,305
Miller, Daniel C	60,175	6.1%	63,835	3.0%	65,751	13.0%	74,274	2.7%	76,305
Edwards, Brian	52,996	10.3%	58,458	12.5%	65,751	0.0%	65,751	5.0%	69,069
Underwood, Jason	50,937	25.3%	63,835	13.8%	72,644	2.2%	74,274	2.7%	76,305
Workman, Robert	48,506	11.4%	54,025	3.0%	55,656	4.1%	57,915	5.0%	60,832
Prewett, Zachary	48,506	6.1%	51,451	8.2%	55,656	-0.0%	55,656	9.3%	60,832
Lewis, Josh	46,189	11.4%	51,451	8.0%	55,553	0.2%	55,656	5.1%	58,487
Good, Jeremy	46,189	11.4%	51,451	8.2%	55,663	-0.0%	55,656	5.1%	58,487
Willis, Jody			38,995	24.5%	48,538	4.0%	50,479	10.3%	55,684
Johnson, Benjamin							41,785	20.9%	50,536
Carls, Tyler									43,901
Baylor, Ryan									43,478
Average Increase		10.5%		8.7%		2.6%		5.7%	

October 31, 2013

**CITY OF ROCHELLE
Actuarial Valuation Results**

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	Sal: 5.50%	Sal: 5.50% ¹	Sal: 5.50% ²	Sal: 5.50% ³	Sal: 5.50% ²
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7. Tax Levy Requirement (1+5+6)	176,233	183,844	199,834	134,019	289,936
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City of Rochelle

Fire Pension Fund

House Bill 5088 (Public Act 95-950 – Municipal Compliance Report

For the Year Ended April 30, 2013

- 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 Fiscal Year</u>
Net Income Received from Investment of Assets	<u>\$600,331</u>	<u>\$290,968</u>
Assumed Investment Return		
Illinois Division of Insurance-Actuarial Report	<u>6.50%</u>	<u>6.50%</u>
Private Actuary	<u>7.50%</u>	<u>7.50%</u>
Actual Investment Return	<u>8.41%</u>	<u>4.09%</u>

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

Number of Active Members	<u>13</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>8</u>	<u>\$443,968</u>
(ii) Disability Pension	<u>1</u>	<u>\$ 29,767</u>
(iii) Survivors and Child Benefits	<u>0</u>	<u>\$ 0</u>

- 7) The funded ratio of the fund:

Illinois Division of Insurance-Actuarial Report	<u>70.0%</u>	<u>70.0%</u>
Private Actuary	<u>75.8%</u>	<u>85.2%</u>

City of Rochelle

Fire Pension Fund

House Bill 5088 (Public Act 95-950 – Municipal Compliance Report)

For the Year Ended April 30, 2013

The Pension Board certifies to the City Council of the Municipality on the condition of the Pension Fund at the end of its most recently completed fiscal year the following information:

- 1) The total assets of the fund in its custody at the end of the fiscal year and the current market value of those assets:

Total Assets	<u>\$ 7,608,614</u>
Market Value	<u>\$ 7,608,614</u>

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

Estimated Receipts – Employee Contributions	<u>\$ 84,000</u>
Estimated Receipts – All Other Sources	
Investment Earnings	<u>\$ 350,000</u>
Municipal Contributions	<u>\$ 106,938</u>

- 3) The estimated amount required during the next succeeding fiscal year to (a) pay all pensions and other obligations provided in Article 4 of The Illinois Pension Code, and (b) to meet the annual requirements of the fund as provided in Sections 4-125 and 4-127:

(a) Pay all Pensions and Other Obligations	<u>\$ 485,000</u>
(b) Annual Requirement of the Fund As Determined by:	
Illinois Division of Insurance	<u>\$ 274,204</u>
Private Actuary – Report Dated 10/31/13	<u>\$ 289,936</u>

City of Rochelle

Fire Pension Fund

House Bill 5088 (Public Act 95-950 – Municipal Compliance Report

For the Year Ended April 30, 2013

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

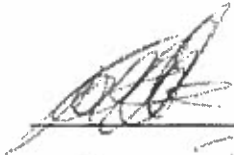
Unfunded Liability:	
Illinois Division of Insurance-Actuarial Report	<u>\$3,209,323</u>
Private Actuary	<u>\$2,462,245</u>

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.

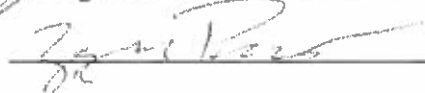
- 9) The investment policy of the Pension Board describes the statutory investment restrictions imposed on the fund. A copy is available upon request.

CERTIFICATION OF MUNICIPAL FIRE PENSION FUND COMPLIANCE REPORT

We, the undersigned Trustees of the City of Rochelle Fire Pension Fund, based upon information and belief, and to the best of our knowledge, certify pursuant to 5/3-134 of the Illinois Pension Code, that the preceding report is true and accurate.



President



Secretary

Dated: 11/14/2013