

November 20, 2012

To the Mayor and Rochelle City Council,

The Fire Pension Board requests your attention regarding the tax levy for the next fiscal year. The board met on November 19, 2012 and discussed the actuarial report from the office of Timothy W. Sharpe. The actuarial report from the Illinois Department of Insurance was not available for consideration at the time of our meeting.

The Fire Pension Board recommends to the City Council the findings of Timothy W. Sharpe with assumptions of an interest rate of 7% and salary progression of 5.5%. This would require a tax levy of \$215,565.

Sincerely,  
Zachary M Prewett  
President  
City of Rochelle Fire Pension Fund



Actuary

To: Ms. Chris Frye

Comments:

Re: Firefighter Pension Fund

Chris:

Recall, last year as a result of PA 096-1495 many changes were made including the actuarial method (Projected Unit Credit), 30-year amortization period and a 90% amortization target. This year, we add "asset smoothing" to the mix (5-year average market value, a result of Pension Reform), and the smoothed value exceeds the straight market value (\$194K). This year, the investment return was less than assumed and salaries increased less than assumed. There is 1 less active member and the annual payroll decreased 9.9%. A surviving spouse passed away during the year. Thus, the Tax Levy has decreased and the Percent Funded has increased slightly.

Highlights:

1. Investment return: 4.09%.
2. Annual payroll increase: -9.9%, average salary increase: 2.6%.
3. New Members: 2; Terminations: 2; Retirements: 1; Incidents of Disability: 0.
4. Percent Funded increased slightly from 84.8% to 85.2%.
5. Tax Levy has decreased from \$193,079 to \$176,233 (8.7%).

As Always,

T. Sharpe

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

November 17, 2012

**CITY OF ROCHELLE  
Actuarial Valuation Results**

FIRE	5/1/11	5/1/12			
	Int: 7.50%	Int: 7.50%	Int: 7.00%	Int: 7.00%	Int: 7.50%
	<u>Sal: 5.50%</u>	<u>Sal: 5.50%</u>	<u>Sal: 5.50%</u>	<u>Sal: 5.00%</u>	<u>Sal: 5.50%<sup>1</sup></u>
1. City Normal Cost	123,583	106,603	128,236	115,396	90,758
2. Accrued Liability	8,556,229	8,756,844	9,217,618	9,151,280	8,510,546
3. Assets	7,259,152	7,462,694	7,462,694	7,462,694	7,462,694
4. Unfunded Liability/(Surplus)	1,297,077	1,294,150	1,754,924	1,688,586	1,047,852
5. Amortization of UL	56,025	57,335	73,227	74,894	8,719
6. Interest for One Year	13,471	12,295	14,102	13,320	7,461
7. Tax Levy Requirement (1+5+6)	<u>193,079</u>	<u>176,233</u>	<u>215,565</u>	<u>203,610</u>	<u>106,938</u>
8. Payroll	810,627	729,664	729,664	729,664	729,664
9. Percent Funded (3/2)	84.8%	85.2%	81.0%	81.5%	87.7%

Reflects Entry Age, 29-year, 100% amortization, smoothed market

<sup>1</sup> Reflects PA 096-1495 (PUC, 29-year, 90% amortization, smoothed market)

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

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**CITY OF ROCHELLE  
Firefighters Pension Fund**

**Investment Performance 2002-2011**

	FYE 03	FYE 04	FYE 05	FYE 06	FYE 07	FYE 08	FYE 09	FYE 10	FYE 11	FYE 12
BOY Assets		4,632,937		5,492,854		6,591,829	6,742,274	6,028,558	6,818,820	7,259,152
City Contribution		172,608		188,290		131,521	139,398	118,859	229,306	91,222
Firefighter Contribution		49,245		53,541		72,448	73,647	73,055	77,411	83,274
Pension Payments		128,113		237,270		257,057	271,620	373,114	426,720	446,004
Expenses		8,876		7,885		5,732	6,541	4,861	5,743	10,240
Income		426,087		490,189		209,264	(648,601)	976,323	566,078	290,968
EOY Assets		5,143,889		5,979,718		6,742,274	6,028,558	6,818,820	7,259,152	7,268,372
Annual Yield		9.11%		8.93%		3.19%	-9.67%	16.45%	8.38%	4.09%
5-Year Yield (2008-12)	4.49%									
10-Year Yield (2003-12)	5.78%									

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