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A PUBLIC SAFETY LAW FIRM

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November 20, 2015

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. The Pension Board Trustees recently met to discuss 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.

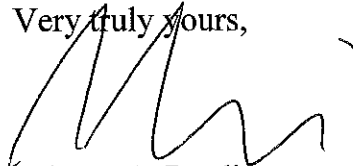
In this case, the Pension Board relied upon the Actuarial Valuation of Timothy W. Sharpe, an independent actuary retained by the Pension Board, for purposes of determining the "recommended levy". Mr. Sharpe's recommended levy for the upcoming tax year, in order to satisfy the annual requirements of the Rochelle Firefighters' Pension Fund, as required by §5/4-118 of the Pension Code, is \$346,855. 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,



Brian J. LaBardi

cc: Zach Prewett
Rochelle Firefighters' Pension Board



Actuary

To: Ms. Chris Cardott

Comments:

Re: Firefighter Pension Fund

Chris:

This year, in accordance with GASB 67 & 68, we will revise the mortality, disability, turnover and retirement assumptions to reflect the most recent study conducted by the Illinois Department of Insurance. The investment return was a little more than assumed this year and the smoothed value exceeds the straight market value (\$76K). Salaries increased more than assumed. There were no changes in active members and the annual pension payments now exceed \$500K. Thus, the Tax Levy has increased and the Percent Funded has decreased.

Highlights:

1. Investment return: 6.86%.
2. Annual payroll increase: 6.0%, average salary increase: 6.0%.
3. New Members: 0; Terminations: 0; Retirements: 0; Incidents of Disability: 0.
4. Percent Funded decreased from 73.2% to 69.3%.
5. Tax Levy has increased from \$310,357 to \$346,855 (11.8%).

As Always,

T. Sharpe

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

November 16, 2015

CITY OF ROCHELLE
Actuarial Valuation Results

FIRE	5/1/14		5/1/15	
	Int: 6.50%	Int: 6.50%	Int: 6.50%	Int: 6.50%
	<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	171,871	177,295	170,525	154,489
2. Accrued Liability	10,676,690	11,086,204	11,702,088	11,450,947
3. Assets	7,813,835	8,107,694	8,107,694	8,107,694
4. Unfunded Liability/(Surplus)	2,862,855	2,978,510	3,594,394	3,343,253
5. Amortization of UL	119,544	128,574	155,160	94,888
6. Interest for One Year	18,942	19,881	21,170	16,210
7. Tax Levy Requirement (1+5+6)	<u>310,357</u>	<u>325,750</u>	<u>346,855</u>	<u>265,587</u>
8. Payroll	858,304	909,587	909,587	909,587
9. Percent Funded (3/2)	73.2%	73.1%	69.3%	70.8%

¹ Reflects Entry Age, 26-year, 100% Amortization, Smoothed Market, prior mortality-, disability-, turnover- and retirement assumptions.

² Reflects Entry Age, 26-year, 100% Amortization, Smoothed Market, DOI 2012 mortality, disability, turnover and retirement assumptions.

³ Reflects PA 096-1495, PUC, 26-year, 90% Amortization, Smoothed Market, DOI 2012 mortality, disability, turnover and retirements assumptions.

November 16, 2015

**CITY OF ROCHELLE
Firefighters Pension Fund**

Investment Performance 2006-2015

	FYE 06	FYE 07	FYE 08	FYE 09	FYE 10	FYE 11	FYE 12	FYE 13	FYE 14	FYE 15
BOY Assets	5,492,854		6,591,829	6,742,274	6,028,558	6,818,820	7,259,152	7,268,372	7,608,614	7,655,533
City Contribution	188,290		131,521	139,398	118,859	229,306	91,222	151,275	103,048	278,524
Firefighter Contribution	53,541		72,448	73,647	73,055	77,411	83,274	75,744	84,116	91,671
Pension Payments	237,270		257,057	271,620	373,114	426,720	446,004	473,736	484,633	498,763
Expenses	7,885		5,732	6,541	4,861	5,743	10,240	13,372	14,877	15,344
Income	490,189		209,264	(648,601)	976,323	566,078	290,968	600,331	359,265	520,213
EOY Assets	5,979,718		6,742,274	6,028,558	6,818,820	7,259,152	7,268,372	7,608,614	7,655,533	8,031,834
Annual Yield	8.93%		3.19%	-9.67%	16.45%	8.38%	4.09%	8.41%	4.82%	6.86%
5-Year Yield (2011-15)	6.51%									
10-Year Yield (2006-15)	5.72%									

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

CITY OF ROCHELLE FIREFIGHTER PENSION FUND SALARY HISTORY

<u>Name</u>	<u>2011 Salary</u>	<u>Increase</u>	<u>2012 Salary</u>	<u>Increase</u>	<u>2013 Salary</u>	<u>Increase</u>	<u>2014 Salary</u>	<u>Increase</u>	<u>2015 Salary</u>
Johnson, Brian L	81,910	0.3%	82,160	2.8%	84,427	3.0%	86,965	3.0%	89,565
Sawsville, David W	72,644	2.2%	74,274	2.7%	76,305	3.0%	78,593	3.0%	80,960
Miller, Daniel C	65,751	13.0%	74,274	2.7%	76,305	3.0%	78,593	3.0%	80,960
Edwards, Brian	65,751	0.0%	65,751	5.0%	69,069	3.0%	71,157	2.5%	72,930
Underwood, Jason	72,644	2.2%	74,274	2.7%	76,305	3.0%	78,593	3.0%	80,960
Workman, Robert	55,656	4.1%	57,915	5.0%	60,832	13.6%	69,078	5.6%	72,930
Prewett, Zachary	55,656	-0.0%	55,656	9.3%	60,832	3.0%	62,663	16.4%	72,930
Lewis, Josh	55,553	0.2%	55,656	5.1%	58,487	4.0%	60,848	5.6%	64,240
Good, Jeremy	55,663	-0.0%	55,656	5.1%	58,487	4.0%	60,848	5.6%	64,240
Willis, Jody	48,538	4.0%	50,479	10.3%	55,684	3.0%	57,343	7.7%	61,738
Johnson, Benjamin			41,785	20.9%	50,536	4.9%	53,035	10.8%	58,795
Carls, Tyler					43,901	15.1%	50,538	10.8%	55,990
Baylor, Ryan					43,478	15.1%	50,050	6.6%	53,350
Average Increase		2.6%		5.7%		5.4%		6.0%	

City of Rochelle

Fire Pension Fund

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

For the Year Ended April 30, 2015

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	\$ 8,031,034
Market Value	\$ 8,031,034

- 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	\$ 89,200
Estimated Receipts -- All Other Sources	
Investment Earnings	\$ 500,000
Municipal Contributions	\$ 346,000

- 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	\$ 600,000
(b) Annual Requirement of the Fund As Determined by:	
Illinois Division of Insurance	\$ N/A
Private Actuary -- Report Dated 10/20/15	\$ 346,855

City of Rochelle

Fire Pension Fund

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

For the Year Ended April 30, 2015

- 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>\$359,265</u>	<u>\$359,265</u>
Assumed Investment Return		
Illinois Division of Insurance-Actuarial Report	<u>6.50%</u>	<u>6.50%</u>
Private Actuary	<u>6.50%</u>	<u>6.50%</u>
Actual Investment Return	<u>6.86%</u>	<u>4.82%</u>

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

Number of Active Members	<u>12</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>\$467,998</u>
(ii) Disability Pension	<u>1</u>	<u>\$ 30,765</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>N/A</u>	<u>68.0%</u>
Private Actuary	<u>69.3%</u>	<u>73.2%</u>

City of Rochelle

Fire Pension Fund

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

For the Year Ended April 30, 2015

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- 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

N/A

Private Actuary

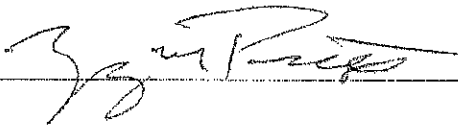
\$3,594,394

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: 11-20-2015