

Public Safety Pension Funding

JEFF FIEGENSCHUH, CITY MANAGER



PENSIONS 101:

Downstate Police & Fire Pension Fund

40 ILCS 5/3-125

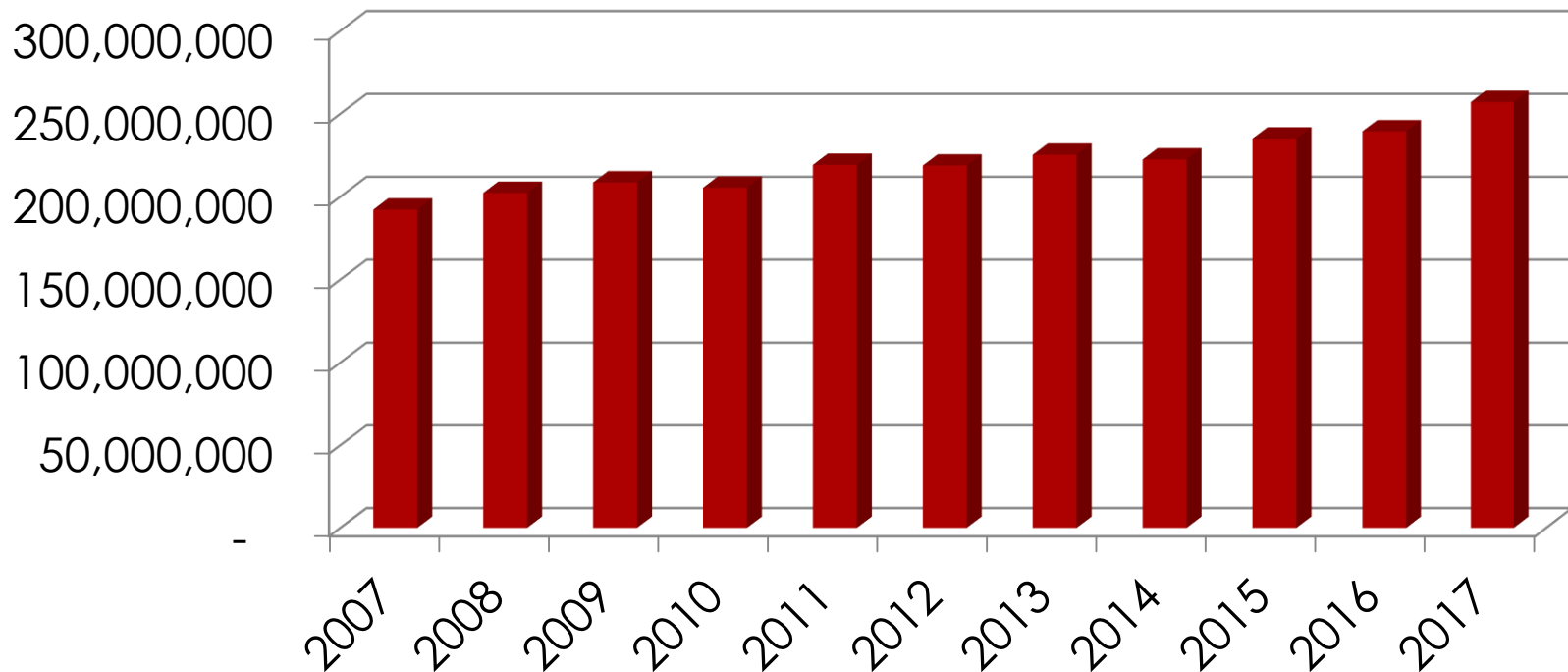
- ▶ **State statute-required benefits for eligible municipal public safety employees in municipalities with 5,000 - 500,000 citizens**
- ▶ **Firefighter employee contribution = 9.945% of salary**
- ▶ **Police employee contribution = 9.91% of salary**
 - ▶ **Note: Employee contribution for Social Security & Medicare = 7.65%**
 - ▶ **Police and Firefighters don't receive Social Security benefits on their income derived from public safety**
- ▶ **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.**

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 flat. While overall EAV has been steadily increasing, residential property values have remained flat.**

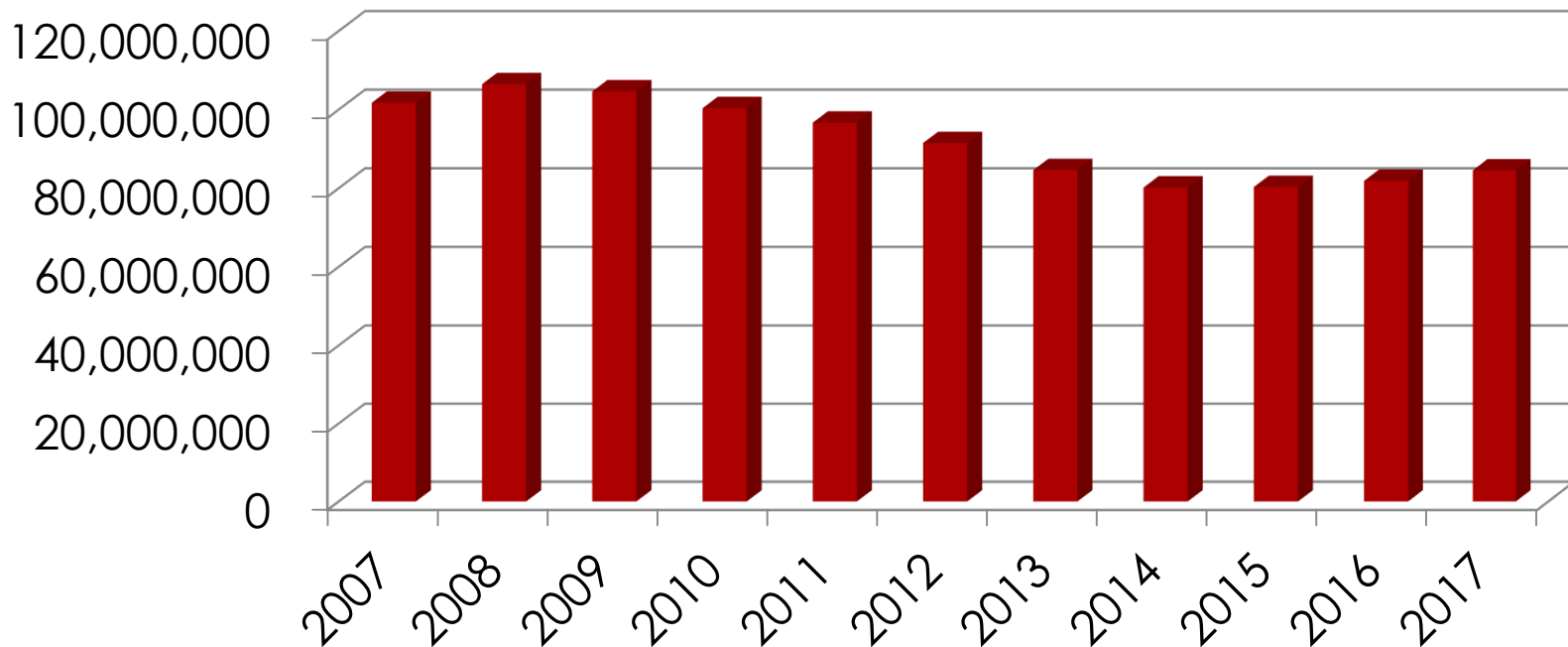
Most Property Types have Increased in Value in Recent Years

Total EAV by Fiscal Year

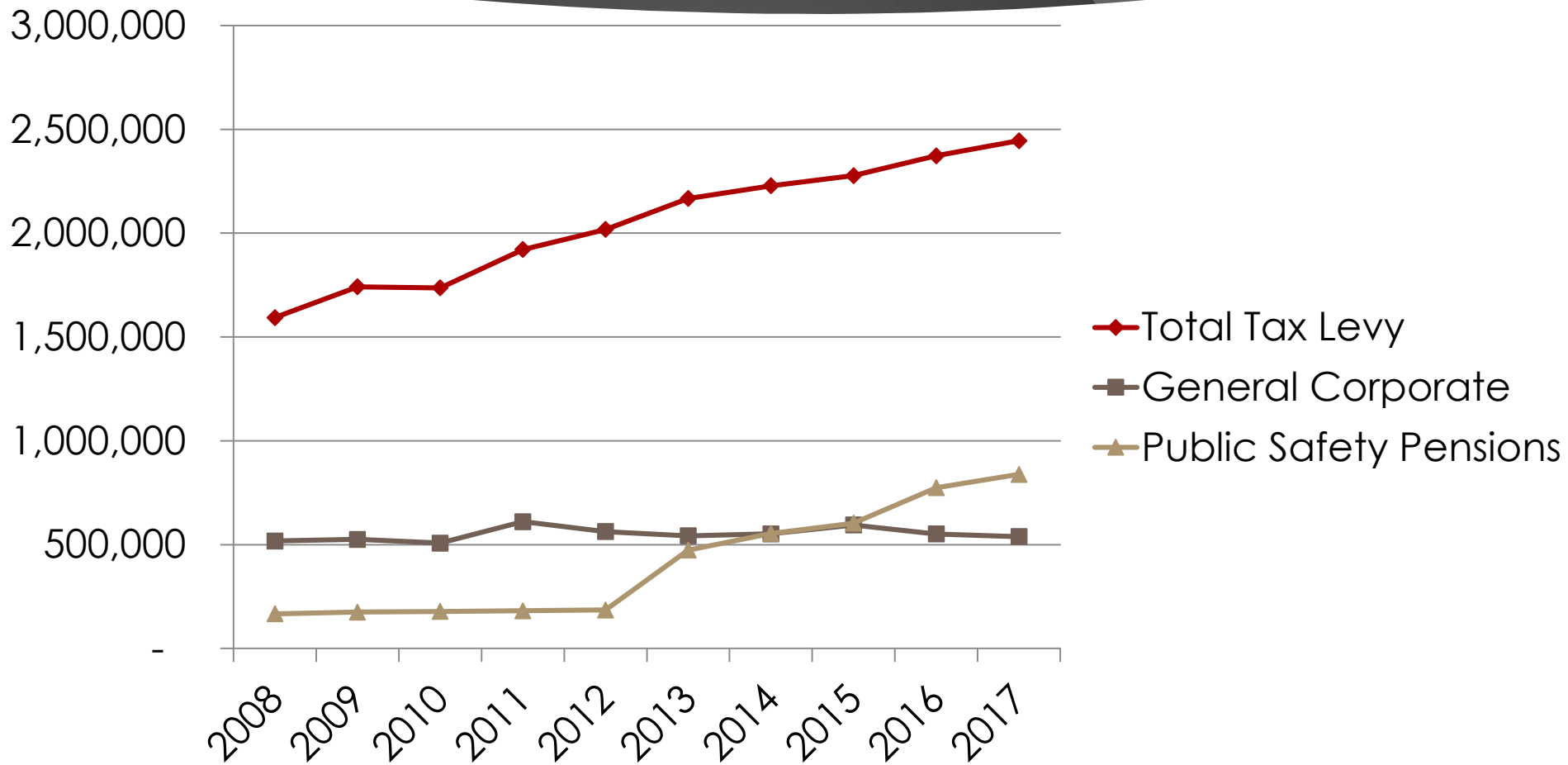


Residential Property Values are Starting to Increase

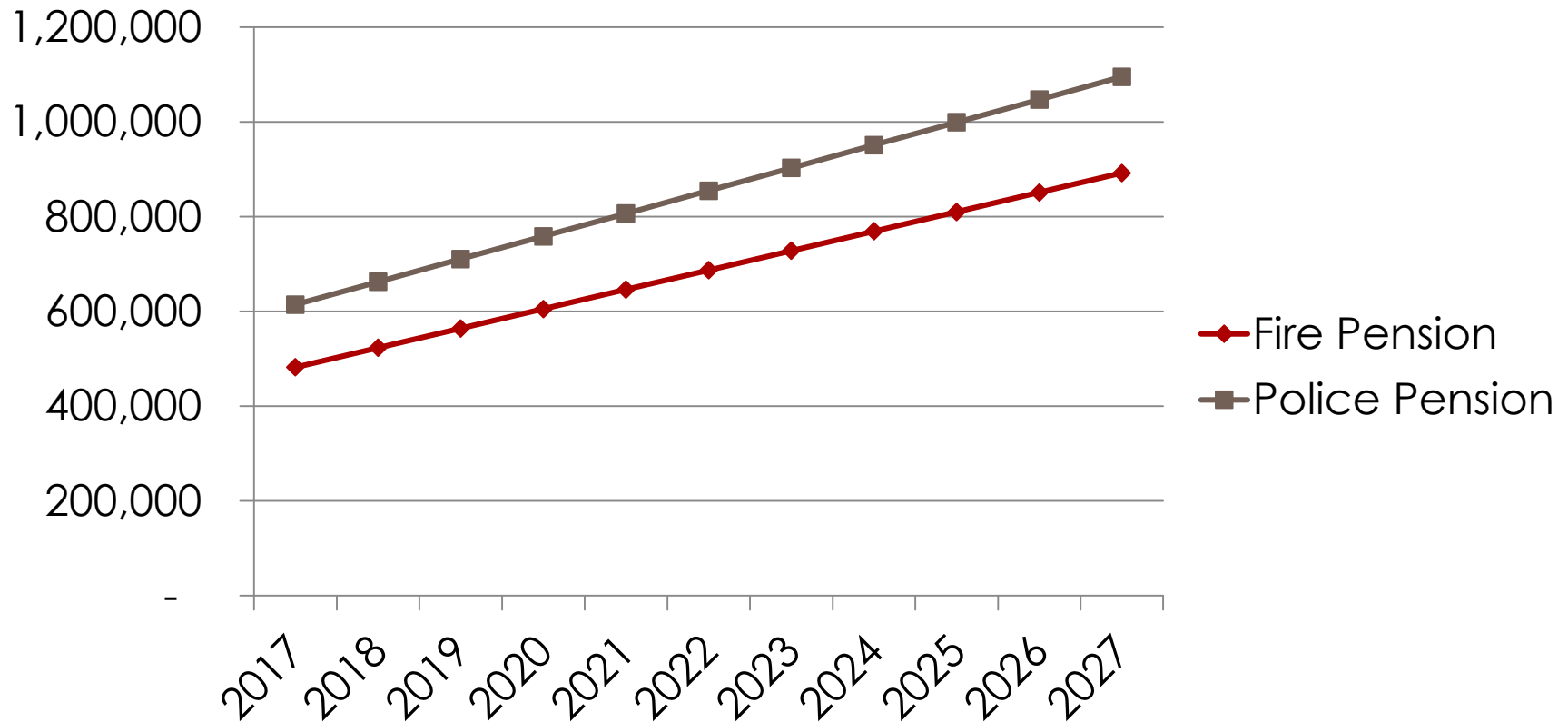
Residential Property



City of Rochelle Tax Levy Through Fiscal Year 2017



2017-2027 Projected Required Contribution



City Fiscal Responsibility

- ▶ Historically, the City has funded 100% of actuarial recommended levels
- ▶ 2017 recommended fire pension funding level = \$482,180
- ▶ 2017 recommended police pension funding level = \$614,329
 - ▶ In the next 5 years, fire pension benefit payments are expected to increase 35-40%, or approximately \$219,000
 - ▶ In the next 5 years, police pension benefit payments are expected to increase 15-20%, or approximately \$150,000
 - ▶ Increased costs are due primarily to updated mortality rates & lower than expected rates of return on investments
 - ▶ In 2017, the firefighters' pension was 63.72% funded, and the police pension fund was 64.81% funded. The aggregate funding level of all police and fire pension funds in IL was 57.6% in 2016.
 - ▶ The City's goal is to have both funds 100% funded by 2040 or sooner if funds are available.

Other State of Illinois Municipality Actions: Increase Property Tax Levy or Add Additional Fees

- ▶ Danville
- ▶ Rantoul
- ▶ Hoffman Estates
 - ▶ East Peoria
 - ▶ Rock Falls
- ▶ Elk Grove Village
 - ▶ Bloomington

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