



Agenda Item Summary

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Agenda Item Title

Review and Discussion of the Police and Fire Pension Actuarial Reports in Preparation for the Fiscal Year 2023 Budget and Property Tax Levy

Overview

This is the first meeting in a series of meetings the Village schedules annually to prepare for the next fiscal year's budget. Each year the Village reviews the actuarial valuations for the Police and Fire pension funds. The Police and Fire Pension Boards are also invited to participate in this conversation.

Anticipated Future Actions/Commitments

As noted above, this is part of a series of meetings to prepare for the next Fiscal Year(FY) budget.

Chapter 2 of the Municipal Code establishes the foundation for the Municipal Budget and provides:

- The Village fiscal year is January 1 - December 31 annually.
- The Board of Trustees must adopt the annual budget prior to the start of the Fiscal Year and passage of the annual budget shall be in lieu of passage of the appropriation ordinance.
- On or before the Village Board of Trustees' first regular meeting in November of each year, the Village Manager shall submit to the Board of Trustees an annual Municipal budget which contains estimates of revenues together with recommended expenditures in conformity with good fiscal management practice.

Report

The Village of Oak Park, pursuant to Sections 9-1-3 and 19-1-3 Municipal Code has established the Firefighters Pension Fund and Police Pension Funds as required by State Statute.

A property tax levy is the sole source of funding for the Police Pension and the Firefighters' Pension Funds. The Village has a contract with Lauterbach & Amen, a certified public accounting firm that has a separate actuarial division, to prepare the two public safety pension actuarial valuations for the Village. Although the Fire and Police Pension Boards have the option to hire their own firm to prepare a valuation and recommend an annual pension contribution, both pension boards have agreed to use L&A, contracted by the Village, for this

purpose.

This meeting is a discussion of Lauterbach & Amen's police and firefighter's actuarial valuations.

In the current FY22 (levy year 2021) budget, the public safety pension levies are approximately \$13.8 million of the total \$36.0 million levy (approximately 38%).

The Police and Firefighters' pension recommended contributions will be 100% funded by the property tax typically approved by the Village Board in December.

The recommended tax year 2022 (for the FY23 budget year) levy data as summarized in the Lauterbach & Amen valuations are as follow:

<i>LAUTERBACH & AMEN</i>					
<i>Current Year 1/1/22 (based of 12/31/21 data)</i>					
	<u>Actuarial</u> <u>Recommended</u> <u>Contribution</u>	<u>Market</u> <u>Value</u> <u>Assets</u>	<u>Total</u> <u>Actuarial</u> <u>Liability</u>	<u>Unfunded</u> <u>Actuarial</u> <u>Liability</u>	<u>Funding</u> <u>Percentage</u>
Police Pension	6,497,788	127,213,700	187,882,121	60,668,421	67.7%
Fire Pension	5,973,017	67,261,509	128,434,855	61,173,346	52.4%
TOTAL	<u>12,470,805</u>	<u>194,475,209</u>	<u>316,316,976</u>	<u>121,841,767</u>	

The tax year 2022 actuarial recommendation is based on data from the fiscal year ending December 31, 2021. Therefore, the property tax distributions dedicated for the police and firefighter pensions in FY23 are based on actuarial data from 2021. This timing delay is necessary due to the fact that the actuary must use audited data (12/31/21 is the most recent audit) and Cook County distributions are one year in arrears (the calendar year 2023 distributions are determined from the tax year 2022 levy).

Compared to current fiscal year 2022, the FY23 police levy recommendation is decreasing by \$822,162, from \$7,319,950, to \$6,497,788 while the fire pension levy is decreasing by \$539,738, from \$6,515,755 to \$5,973,017. The combined total recommended levy decrease is \$1,361,900 compared to the prior year.

Pages 9 through 15 of the actuarial valuations explain and summarize the primary reasons for the recommended contribution decreases.

Please note that although neither Board has formally submitted their FY23 levy requests, it is anticipated that each will request the L&A recommended amount. Each pension fund board meets on a quarterly and the actuarial valuations are typically an item for discussion and review on their agendas.

The pension boards were also provided the option to request L&A to attend one of their quarterly meetings for a thorough presentation and the opportunity for pension board members to ask questions. Some pension board members may also attend the L&A presentation tonight to the Village Board to observe and participate

as needed in the discussion.