



Agenda Item Summary

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Submitted By

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Agenda Item Title

Discussion of the Police and Fire Pension Actuarial Reports in Preparation for the Fiscal Year 2020 Budget & 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 meeting to prepare for the next fiscal year 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.

The property tax levy is the sole source of funding for the Fire Pension and the Firefighters Pension Fund. The Village has a contract with Lauterbach & Amen, a certified public accounting firm which has a separate actuarial division, to prepare the police and firefighter's actuarial valuations for the Village. Although the Fire and Police Pension Boards have the option to also hire their own firm to conduct their actuarial, this year both pension boards decided to all use the same firm.

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

In the current FY19 (levy year 2018) budget, the public safety pension levies are \$11.4 million of the total \$32.9 million levy (approximately 34%).

The Police and Firefighters' pension recommended contributions are 100% funded via property tax levies which are typically approved by the Village Board in December along with the General/Corporate and Debt Service Fund levies.

The recommended tax year 2019 (for the FY20 budget year) as summarized in the Lauterbach & Amen valuations are as follow:

<i>LAUTERBACH & AMEN</i>				
Current Year 1/1/19 (based of 12/31/18 data)				
Actuarial Recommended Contribution	Market Value Assets	Total Actuarial Liability	Unfunded Actuarial Liability	Funding Percentage
6,338,241	90,484,189	172,661,768	82,177,579	52.4%
5,438,948	47,739,804	120,453,714	72,713,910	39.6%
<u>11,777,189</u>	<u>138,223,993</u>	<u>293,115,482</u>	<u>154,891,489</u>	

The tax year 2019 actuarial recommendation is based on data from the fiscal year ending December 31, 2018. Therefore, the property tax distributions dedicated for the police and firefighter pensions in FY20 is based on actuarial data from 2018. This timing delay is necessary due to the fact that the actuary must use audited data (12/31/18 is the most recent audit) and Cook County distributions are one year in arrears (calendar year 2020 distributions are determined from the tax year 2019 levy).

Compared to the prior year, the police levy recommendation increased \$126,991, from \$6,211,250 to \$6,338,241 while the fire pension levy increased \$280,815, from \$5,158,133 to \$5,438,948. The combined total recommended levy increased by \$407,806 compared to the prior year.

In addition, there were no changes to any of the assumptions used by Lauterbach & Amen. A summary of the major assumptions are included in the attached memo.

Lauterbach & Amen previously attended quarterly pension board meetings to present and discuss the actuarial valuations and answer questions from both Boards. Although neither Board has formally submitted their levy requests, it is anticipated that each will request the L&A recommended amount.