



CITY OF WASHINGTON, ILLINOIS City Council Agenda Communication

Meeting Date: February 5, 2024

Prepared By: Joanie Baxter, Finance Director

Agenda Item: Police Pension Fund Actuarial Valuation Report

Explanation: The results of the actuarial study were reviewed with the Police Pension Board on October 30, 2023 by Jason Franken of Foster & Foster. The interest rate assumption of 6.75% remained unchanged as it is slightly lower than the one used by IPOPIF. Other assumptions also remained unchanged. The FY22-23 interest yield based on a 5-year smoothed actuarial rate was 4.09% compared to 5.26% in the prior year. Even though the fund didn't end up with a very favorable position at the end of the fiscal year, because of the 5-year smoothing, the effect of the actual yield based on the market value of 2.11% is minimized. The percent funded decreased slightly to 57.1%. A total City contribution of \$863,501 is required and the Board approved the recommendation. This can be reduced by approximately \$33,001 in anticipated personal property replacement tax for a **recommended tax levy of \$830,500 by the Police Pension Fund.**

The Board is concerned about the declining funded ratios and discussed with the actuary what that means in terms of meeting the 90% mandated funded ratio by 2040. Even though the City has always made the required contributions and is doing so to meet a 100% funded ratio by 2040 which is a higher standard than the State requires – our actuary agrees that it is going to be more and more difficult to meet the funding requirements as we get closer to 2040 and the amortization period continues to decrease. We plan to talk in the next couple of years about adopting an alternative funding strategy that may be more manageable, but in the meantime, he agreed that adding additional funds as available would be advisable. As a result, the Pension Board requested the City Council consider an **additional contribution up to \$100,000 and the City Council agreed with the request.**

The Ordinance was approved on December 18, 2023 with a tax levy of \$830,500 as required, plus an additional \$100,000 as requested by the Police Pension Board.

Fiscal Impact: Property taxes approximating \$930,500 will be received in FY 24-25 to fund the Police Pension Fund employer contribution, plus an additional \$100,000.

Recommendation/Committee Discussion Summary: City Council approved as part of tax levy.

Action Requested: Acceptance of Actuarial Study filed with the Department of Insurance as required. The entire report is included as an electronic attachment and available upon request in paper form.