



## CITY OF WASHINGTON, ILLINOIS

### City Council Agenda Communication

**Meeting Date:** January 21, 2020

**Prepared By:** Joanie Baxter, Finance Director *JAB*

**Agenda Item:** Police Pension Fund Actuarial Valuation Report

**Explanation:** The preliminary results of the actuarial study were reviewed with the Police Pension Board on October 28<sup>th</sup> by Jason Franken of Foster & Foster. With no changes to assumptions, the increase in the City contribution would be \$37,769; however, there are two potential changes to assumptions that required consideration. Jason indicated that the new mortality table that is available should be adopted because it uses public sector, and specifically public safety data rather than the old table which used private sector data. It would be difficult to justify continuing to use the old one. This assumption change results in an increased City contribution of \$83,769.

The interest rate assumption is at 6.75% and a decrease to 6.5% needs to be considered in the next few years, however, this change plus the mortality table change would result in an overall increase of \$130,769 to the City contribution. The Board agreed that the new mortality table should be adopted but because of the uncertainty of the impact of the potential investment consolidation for downstate pension funds, they recommend waiting another year on making a change to the interest rate assumption. As such, a total City contribution of \$634,090 is required. This can be reduced by approximately \$20,000 in anticipated personal property replacement tax for a recommended tax levy of \$614,000 for the Police Pension Fund.

The City Council approved to include the contribution of \$614,000 in the tax levy that was recently adopted.

Attached is a Summary of the Report. The entire 51 page report is available upon request.

**Fiscal Impact:** Property taxes approximating \$614,000 will be received in FY 20-21 to fund the Police Pension Fund employer contribution.

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

**Action Requested:** Acceptance of Actuarial Study to be filed with the Department of Insurance as required.

CITY OF WASHINGTON  
POLICE PENSION FUND  
ACTUARIAL VALUATION  
AS OF MAY 1, 2019  
CONTRIBUTIONS APPLICABLE TO THE  
PLAN/FISCAL YEAR ENDING APRIL 30, 2021  
GASB 67/68 DISCLOSURE INFORMATION  
AS OF APRIL 30, 2019



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ACTUARIES AND CONSULTANTS

## SUMMARY OF REPORT

The regular annual actuarial valuation of the City of Washington Police Pension Fund, performed as of May 1, 2019, has been completed and the results are presented in this Report. The contribution amounts set forth herein are applicable to the plan/fiscal year ended April 30, 2021.

The contribution requirements, compared with those set forth in the May 1, 2018 actuarial report, are as follows:

Valuation Date	5/1/2019	5/1/2018
Applicable to Fiscal Year Ending	<u>4/30/2021</u>	<u>4/30/2020</u>
Total Recommended Contribution	\$780,072	\$685,910
% of Projected Annual Payroll	53.0%	50.1%
Member Contributions (Est.)	145,982	135,679
% of Projected Annual Payroll	9.9%	9.9%
City Recommended Contribution	634,090	550,231
% of Projected Annual Payroll	43.1%	40.2%

As you can see, the Total Recommended Contribution shows an increase when compared to the results determined in the May 1, 2018 actuarial valuation report. The increase is attributable to the change in the mortality assumptions and unfavorable plan experience.

Plan experience was unfavorable overall on the basis of the plan's actuarial assumptions. Sources of unfavorable experience included an investment return of 4.27% (Actuarial Asset Basis) which fell short of the 6.75% assumption, lower than expected inactive mortality, and less turnover than expected. These losses were offset in part by a gain associated with an average salary increase of 3.67% which fell short of the 6.04% assumption.

## CHANGES SINCE PRIOR VALUATION

### Plan Changes Since Prior Valuation

No plan changes have occurred since the prior valuation.

### Actuarial Assumption/Method Changes Since Prior Valuation

The valuation reflects the following assumption change:

- The mortality rates were updated to reflect the PubS-2010 tables.

There were no method changes since the prior valuation.