

 <p>CITY OF ST. CHARLES ILLINOIS • 1834</p>	<b>AGENDA ITEM EXECUTIVE SUMMARY</b>		Agenda Item number: IIIA4
	Title:	<b>Budget Revision for FY 2023-24 Regarding Additional City Contributions to the Police and Fire Pension Funds</b>	
	Presenter:	<b>Bill Hannah, Director of Finance</b>	
<b>Meeting:</b> City Council		<b>Date:</b> March 4, 2024	
<b>Proposed Cost:</b> \$ <i>N/A</i>		<b>Budgeted Amount:</b> N/A	<b>Not Budgeted:</b> <input type="checkbox"/>
<b>TIF District:</b> None			
<p><b><u>Executive Summary</u></b></p> <p>At the January 22, 2024 Winter Workshop, staff presented a strategy to improve the funded status of the City’s police and fire pension funds by making an additional City contribution to each fund in the current fiscal year, over and above the required actuarial contribution that is budgeted in the current year.</p> <p>The City annually completes an actuarial valuation for both the police pension fund and the fire pension fund, as of the end of the fiscal year, in order to calculate the required contribution from the City for the upcoming fiscal year. For example, the actuarial valuation as of April 30, 2023 resulted in a recommended contribution that was incorporated into the December, 2023 tax levy, which will be received during FY 2024-25. The City’s actuarial valuations are calculated with a goal of 100% funded by 2040.</p> <p>The current funded percentages on an actuarial basis as of April 30, 2023 were as follows:  Police Pension Fund: 52.4%  Fire Pension Fund: 69.2%</p> <p>The current Unfunded Accrued Liabilities in each Fund as of April 30, 2023 were as follows:  Police Pension Fund: \$44,129,162  Fire Pension Fund: \$23,601,049</p> <p>The City contributions to each Pension Fund being made in the current FY 2023-24 are as follows:  Police Pension Fund: \$4,170,718  Fire Pension Fund: \$2,719,565</p> <p>By making an additional contribution to each Pension Fund, the City will structurally improve the funded status of each fund, which, going forward, will also reduce the contribution required from the upcoming tax levy from what it would have been. Currently, an additional contribution of \$1,000,000 would reduce future contributions by \$70,000 to \$80,000 annually. Making an additional contribution does not commit the City to do so in future years, but is something that can be evaluated annually. The City will evaluate this on an annually basis in conjunction with the annual budget process.</p>			

At the January 22<sup>nd</sup> workshop staff indicated that any method can be used to determine an additional amount. Based on the City's current fiscal needs, staff felt comfortable with an additional contribution based roughly on 2% of the current unfunded accrued liability of each Fund. Based on this measure, staff is recommending an additional contribution be made to each pension fund in the current year as follows:

Police Pension Fund: \$ 883,000

Fire Pension Fund: \$ 472,000

**TOTAL: \$1,355,000**

If approved, this additional contribution would be made in the month of February and incorporated into the Draft Budget projections for the current year.

**Attachments** (please list):

**None**

**Recommendation/Suggested Action** (briefly explain):

**Motion to Approve the Additional City Contributions to the Police Pension Fund and Fire Pension Fund as outlined.**