

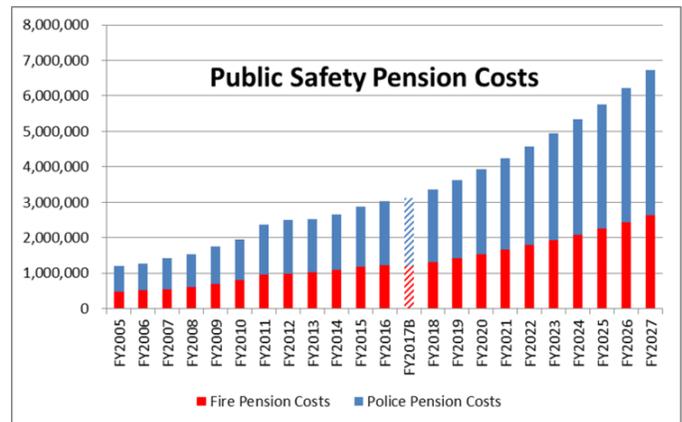


Public Safety Pension Fee

State law requires the City to contribute to pension benefits for full-time employees. The amount of pension benefits is determined by State legislators in Springfield. Employees are required to make contributions toward their pension benefits, but the City is required to make the contributions necessary to fund the remaining costs for these benefits as determined annually by an independent actuary.

Despite making the required contributions annually for police and fire pension obligations, a cost which has grown from \$1.2 million in FY2005 to \$3.1 million in FY2017, the City's liability for public safety pensions continues to grow. The liability grows due to:

- 1) benefit enhancements approved by state legislators that apply retroactively,
- 2) investment returns not meeting projections, and
- 3) extended life expectancies resulting in retirees earning a pension for longer periods of time.



Using the State's funding model, public safety pension costs are projected to continue to grow at a rate of 8-9% per year through FY 2040, assuming the funds can earn a projected 7.0% investment return annually.

The majority of pension costs are funded through the City's property tax levy, but the City Council has determined it is important to increase public awareness about the pension issue.

The City, along with other municipalities in the State of Illinois, continues to pursue meaningful pension reform legislation in Springfield.

Effective May 1, 2017, a portion of the costs for police and fire pensions is being funded by a Public Safety Pension Fee on the utility bill. The initial fee is \$10 per quarter for residential accounts and \$35 per quarter for all other accounts, with the exception of irrigation only services. Effective May 1, 2018, the fee was increased to \$20 per quarter for residential accounts and \$70 per quarter for other accounts. The revenue generated by the Public Safety Pension Fee is added to police and fire pension property tax levy revenues to fund the police and fire pension costs for the upcoming fiscal year.

Additional information regarding the City's pension obligations may be found at:

www.cityoflakeforest.com/city-government/departments/finance/pensions