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**City of Mt. Vernon, Illinois
City Council Workshop Meeting
Monday, February 24, 2014**

MINUTES

The Mt. Vernon City Council held a City Council Workshop Meeting on Monday, February 24, 2014 at 3:00 p.m. at the City Hall, 1100 Main Street, old Council Chambers, Mt. Vernon, IL.

ROLL CALL

Roll call showed present: Council Members Ron Lash, Dennis McEnaney, Todd Piper and David Wood. Mayor Mary Jane Chesley was absent. Council Member McEnaney nominated Council Member David Wood as Mayor Pro Tem. No second was necessary. Yeas: Lash, McEnaney, Piper, and Wood. Absent: Chesley.

Also present were City Manager Ron Neibert, City Finance Director Merle Hollmann and City Clerk Jerilee Hopkins.

PENSION REVIEW

City Manager Neibert presented the Fire Pension Fund Fiscal Trend Analysis Report to Council for review. He noted that the Police Pension Fund Fiscal Trend Analysis Report is very similar. The reports will be updated annually by Finance Director Merle Hollmann and presented to Council. Neibert disseminated a handout containing various charts and information regarding the Fire, Police and IMRF Pension Funds to the Council.

The Fire Pension Board consists of two active members of the department, one retiree and two appointees by the City Council. City Manager Neibert and Finance Director Hollmann are on the Fire Pension Board. Also, the Police Pension Board consists of two active members of the department, one retiree and two appointees by the City Council. Neibert and Hollmann are not on the Police Pension Board.

AVERAGE AGE OF PENSIONER (SERVICE AND DISABILITY): This chart shows the downward trend in the average age of pensioners on the Mt Vernon Fire Pension fund. The key factor in this trend is the 2007 (yellow arrow) passage of the statutory provision making any heart, lung or cancer related ailment automatically eligible for a "line of duty" (65%) tax free pension. The largest reduction in average age is reflected in the disability portion of the pension fund.

AVERAGE AGE AT RETIREMENT (SERVICE AND DISABILITY): This chart shows the downward trend in the average age of pensioners on day of retirement on the Mt Vernon Fire Pension fund. The key factor in this trend is the 2007 (yellow arrow) passage of the statutory provision making any heart, lung or cancer related ailment automatically eligible for a "line of duty" (65%) tax free pension. The largest reduction in average age is reflected in the disability portion of the pension fund.

DISBURSEMENTS AND EXPENDITURES BY CLASS: This chart shows the total pension expenses by class of payout for the fund. Since the 2004 statutory amendment (pink arrow) expanding survivor's benefits, pension expenditures in this classification, have increased approximately 84%. The amount of expenditures in disability pension expenditures have increased 75% since the 2007 "heart, lung or cancer" (yellow arrow) statutory amendment. During the same period from 2007 through 2012, regular disability expenses have decreased by 19%.

At age of 50 with 20 years of service, a policeman or fireman will receive 50% of their salary as pension. At age of 75 with 20 years of service, a policeman or fireman will receive 75% of their salary as pension. The spouse of a retired policeman or fireman will receive 100% of spouse's pension upon their death.

For IMRF, at age of 60 with 28 years of service, the employee will receive 50% of their salary as pension. At the age of 60 with 40 years of service, the employee will receive 75% of their salary as pension. The surviving spouse under IMRF will only receive 50%. The City has no IMRF employees on disability.

PENSION FUND CONTRIBUTIONS: This chart shows contributions into the Fire Pension Fund from Employee Contributions, Employer Contributions and Investment Income which comprise the three sources or revenues for this fund. As indicated since 2004 Employee contributions have increased only at a rate reflective of annual salary increases for the Fund's members. The City's contributions have increased by 46% since the passage of the pension amendments in 2004 and 2007 respectively.

The true impact on the City's contributions has been the legislative changes in terms of enhancing the benefits given to the retirees, as well as the investment choices made by the local pension boards.

PERCENT FUNDED: This chart reflects the percentage funded for all obligations on the pension fund. It is important to note that at the passage of the 2004 Survivor's Spouse amendment, (pink arrow) the fund was at a funding rate of 73%. The immediate following year, the pension fund dropped to a funding level of 67% and continued falling to a level of 63% in 2007 when the "heart, lung or cancer" amendment was passed. The percent level of funding continues to fall and is currently at 59% as of 4/30/2012. It is important to note that the City of Mt Vernon since at least 2005 funded 100% of its annual obligation to the fund, and currently funds at a 22 year amortization level even though authorized to use a 30 year amortization period.

ILLINOIS MUNICIPAL RETIREMENT FUND (IMRF): In the fifth column at the end of 2012 the IMRF was funded at 62% which is based on current employees. When an employee retires under IMRF an annuity is purchased to cover that obligation. The City only levies current obligations for IMRF. There is no local IMRF Board. An employee pays 4.5% and the City pays 13.7% to IMRF. The City's custom has been to pay IMRF contributions at the rate prescribed by the State.

POLICE AND FIRE PENSION FUNDS TAX LEVY PER ACTIVE EMPLOYEES

	TAX LEVY	NO. OF ACTIVE EMPLOYEES	% OF ACTIVE EMPLOYEES	% OF TOTAL TAX LEVY	LEVY PER ACTIVE EMPLOYEE
IMRF	\$ 739,721	92	56%	33%	\$ 8,040
POLICE PENSION	\$ 684,659	42	26%	30%	\$ 16,301
FIRE PENSION	\$ 837,864	29	18%	37%	\$ 28,892
TOTALS	\$ 2,262,244	163	100%	100%	

Note: Number of active employees is as of April 30, 2013

According to Finance Director Hollmann, the unfunded pension liability will be required to be inserted in the City's general ledger in the year ending April 2016, rather than being contained in a footnote in the annual audit. The City will see a significant change in financial statements. The **Governmental Accounting Standards Board** said the changes provide a more accurate view of the assets and liabilities for pension funds across the nation. Hollmann noted that the GASB will allow the City to apply the new accounting standards in FY 2014/15; however, the IMRF won't have their necessary figures available until April 30, 2015.

Council Member Wood feels that the amortization period should be shorter. but in the extraordinary years when it results in a fairly large property tax increase, the amortization period should be adjusted to level that out.

Council Member Piper stated that tax payers should be made aware that 11 percent of property tax going to the City of Mt. Vernon is caused by the pensions. He believes the Truth in Taxation hearings should be held to keep citizens informed.

Council Member McEnaney commented that he is not comfortable being more aggressive and paying down more of the unfunded pension than is recommended by the State. He is more inclined to follow State law using the 28 year amortization period in order to keep our taxes as low as possible. He agrees that the City should host Truth in Taxation hearings. Regardless of what source of revenues is used, McEnaney does not want to pay more than what is established by State law. He suggested that the City be more aggressive informing the public of the dilemma.

Council Member Wood requested that Neibert and Hollmann develop two policies to be discussed by the Council: 1) utilizing property tax levies at a 20 year amortization schedule; and 2) utilizing the statutory amortization schedule of 28 years. Also, he suggested drafting a policy that requires the Truth in Taxation hearings even if the increase is below five percent.

Council Member Piper made a motion to approve the first annual Pension Report drafted by Finance Director Merle Hollmann. Seconded by Council Member Lash. Yeas: Lash, McEnaney, Piper and Wood. Absent: Chesley.

City Manager Neibert requested to delay the policy discussions until after the budget is complete because the Levy Ordinance isn't passed until December. Council Member Wood objected but understands Neibert's reasoning.

EXECUTIVE SESSION

Council Member McEnaney made a motion to go into executive session to discuss land acquisition. Seconded by Council Member Lash. Yeas: Lash, McEnaney, Piper and Wood. Absent: Chesley.

ADJOURNMENT

Council Member Lash made a motion to adjourn the City Council Workshop Meeting. Seconded by Council Member McEnaney. Yeas: Lash, McEnaney, Piper and Wood. Absent: Chesley.

The meeting adjourned at 4:55 p.m.

Respectfully submitted,

Jerilee Hopkins
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