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## City Council Agenda Memo

Crest Hill, IL

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| <b>Meeting Date:</b> | September 11, 2023   |
| <b>Submitter:</b>    | Lisa Banovetz, Director of Finance / Glen Conklin, Treasurer |
| <b>Department:</b>   | Treasurer's Office   |
| <b>Agenda Item:</b>  | \$897,704 Additional Contribution to the Police Pension Fund |

**Summary:** The City's previous police pension fund contributions were made based on Lauterbach & Amen's (Lauterbach) actuarial calculated amount with the assumption that the amount requested by Lauterbach was an all-inclusive amount which included the contributions from both the City and the contributions the individual police officers made during a fiscal year.

Lauterbach recently clarified that the annual funding number provided to the City for the police pension fund contribution was *only* the City's contribution. Police officer's pension contributions were intended to be in addition to the amount the City was contributing. This resulted in a shortfall in past contributions by the City to the police pension fund.

This shortfall was brought to the City's attention in August of 2023. Lauterbach did not formally notify the City there was a shortfall in previous years. If this had been brought to the attention of the City previously, the City would have adjusted its contributions timely, and this would not have been an issue.

The City is asking for City Council's approval to make a one-time payment to the police pension fund of \$897,704. This payment will cover a short fall calculated by Lauterbach from Fiscal Year 2022 to Fiscal Year 2024. This does not include the voluntary additional \$150,000 contribution the City makes annually. The City will bring the request for this year's \$150,000 additional contribution to City Council for approval at a future work session.

After this one-time payment to the police pension fund, there should not be any issues going forward due to Lauterbach's clarification on the calculation of this payment.

The City does have an investment in IPBC Benefit and Terminal Reserve Funds that can be liquidated for \$290,625 to help offset the payment.

If approved, the City will amend its current Fiscal Year 2023~2024 Budget to reflect the approved payment. The City would bring that budget amendment to the next City Council meeting which is shown below:

|            |                             |  |  |               |               |                 |
|------------|-----------------------------|--|--|---------------|---------------|-----------------|
|            |                             |  |  | Original      |               | Amended         |
|            |                             |  |  | Fiscal Year   |               | Fiscal Year     |
|            |                             |  |  | 2023~2024     | Amendment     | 2023~2024       |
| 01-02-4250 | Police Pension Contribution |  |  | \$ 150,000.00 | \$ 897,704.00 | \$ 1,047,704.00 |

Lauterbach's calculation of the shortfall is below:

| Crest Hill Police Pension Fund          |                     |           |  |                     |           |                          |                      |                                     |
|---|---------------------|-----------|--|---------------------|-----------|--------------------------|----------------------|-------------------------------------|
| Determination of Contribution Shortfall |                     |           |  |                     |           |                          |                      |                                     |
| FY 2022                                 |                     |           | FY 2023  |                     |           | FY 2024                  |                      |                                     |
| Recommended Contribution                | Actual Contribution | Shortfall | Recommended Contribution                           | Actual Contribution | Shortfall | Recommended Contribution | Actual* Contribution | Shortfall                           |
| 1,150,664                               |                     |           | 1,106,348  |                     |           | 1,205,799                |                      |                                     |
| 150,000                                 |                     |           | 150,000  |                     |           | -                        |                      |                                     |
| 1,300,664                               | 971,447             | 329,217   | 1,256,348  | 963,861             | 292,487   | 1,205,799                | 929,799              | 276,000                             |
|   |                     |           |  |                     |           |                          |                      |                                     |
|   |                     |           |  |                     |           |                          |                      | <i>*amount of levy for FY 2024</i>  |
| Catch Up Amount                         |                     |           | 5/1/2023 - 4/30/2024 Actuarial Valuation Results** |                     |           |                          |                      |                                     |
| Short fall FY22                         | 329,217             |           | Rec.Con. FY25                                      |                     |           | 1,272,135                |                      |                                     |
| Short fall FY23                         | 292,487             |           | Additional   |                     |           | 150,000                  |                      |                                     |
| Short fall FY24                         | 276,000             |           | Short fall   |                     |           | -                        |                      |                                     |
| Total Short fall                        | <u>897,704</u>      |           |  |                     |           | <u>1,422,135</u>         |                      |                                     |
|   |                     |           |  |                     |           |                          |                      | <i>**amount of levy for FY 2025</i> |

**Recommended Council Action:** Approve a one-time payment to the City's police pension fund in the amount of \$897,704.

**Financial Impact:**

**Funding Source:** General Fund.

**Budgeted Amount:** \$0

**Cost:** \$897,704

**Attachments :** N/A