

# Local Firemen's Pension & Relief Fund

## 2011 Millage Levy Discussion

# Background

- Fund began in 1947.
- Monies provided by a millage tax passed by election.
- State law allows a maximum millage levy of one (1) mill.
- Tax requires an annual levy by the City Council.
- Millage was decreased from one (1) mill to one-half (.5) mill in November 1984.

# Who is covered by the plan?

- All fire department employees hired prior to January 1, 1983 are covered.
- Monthly benefits are provided to retirees.
- In the event of a retiree's death, his spouse receives the monthly benefit.

# The Role of LOPFI

- Provides administration of the Local Firemen's Pension and Relief Fund.
- Administers and provides benefits for firefighters covered by LOPFI.
- Provides a combined actuarial valuation for both local and LOPFI plans, provided to Cities every two years.
- Last valuation before September, 2010 was received in September, 2008.

# Why an increase is necessary

- Contribution rate for local pension fund has increased in recent years

Actuarial Valuation Date	Year of Rate Application	Combined Rate	Paid Fire Computed Contribution Rate	Contribution Rate for Local Fire Pension	Payroll Amount Used in Computation	Contribution Required for Local Fire Pension
12/31/1997	1999	24.55%	10.03%	14.52%	\$ 1,976,806	\$ 287,032
12/31/1998	2000	22.76%	11.46%	11.30%	1,829,455	206,728
12/31/1999	2001	16.45%	11.35%	5.10%	2,062,641	105,195
12/31/2000	2002	17.61%	11.40%	6.21%	2,343,189	145,512
12/31/2001	2003	9.98%	6.00%	3.98%	2,554,281	101,660
12/31/2002	2004	14.80%	9.56%	5.24%	2,808,209	147,150
12/31/2003	2005	20.50%	10.56%	9.94%	2,982,798	296,490
12/31/2004	2006	25.61%	15.08%	10.53%	3,173,030	334,120
12/31/2005	2007	25.58%	15.54%	10.04%	3,417,216	343,088
12/31/2006	2008	26.42%	15.47%	10.95%	3,675,505	402,468
12/31/2007	2009	26.07%	16.48%	9.59%	4,358,433	417,974
12/31/2008	2010	31.87%	16.49%	15.38%	4,351,531	669,265
12/31/2009	2011	32.69%	17.49%	15.20%	5,023,778	763,614

# Why an increase is necessary

- Benefit increases have increased the amount needed to fund the local pension.
- July 6, 2006 - \$300 per month increase retroactive to January 1, 2006, first increase since 1983 (no COLA per plan documents).
- March 6, 2007 - \$150 per month increase retroactive to January 1, 2007.
- October 7, 2008 - \$250 per month increase retroactive to January 1, 2008.
- These increases increased annual benefit payments by 47% per year.

# Why an increase is necessary

- Increased benefit payments also increase the future liability of the local pension.

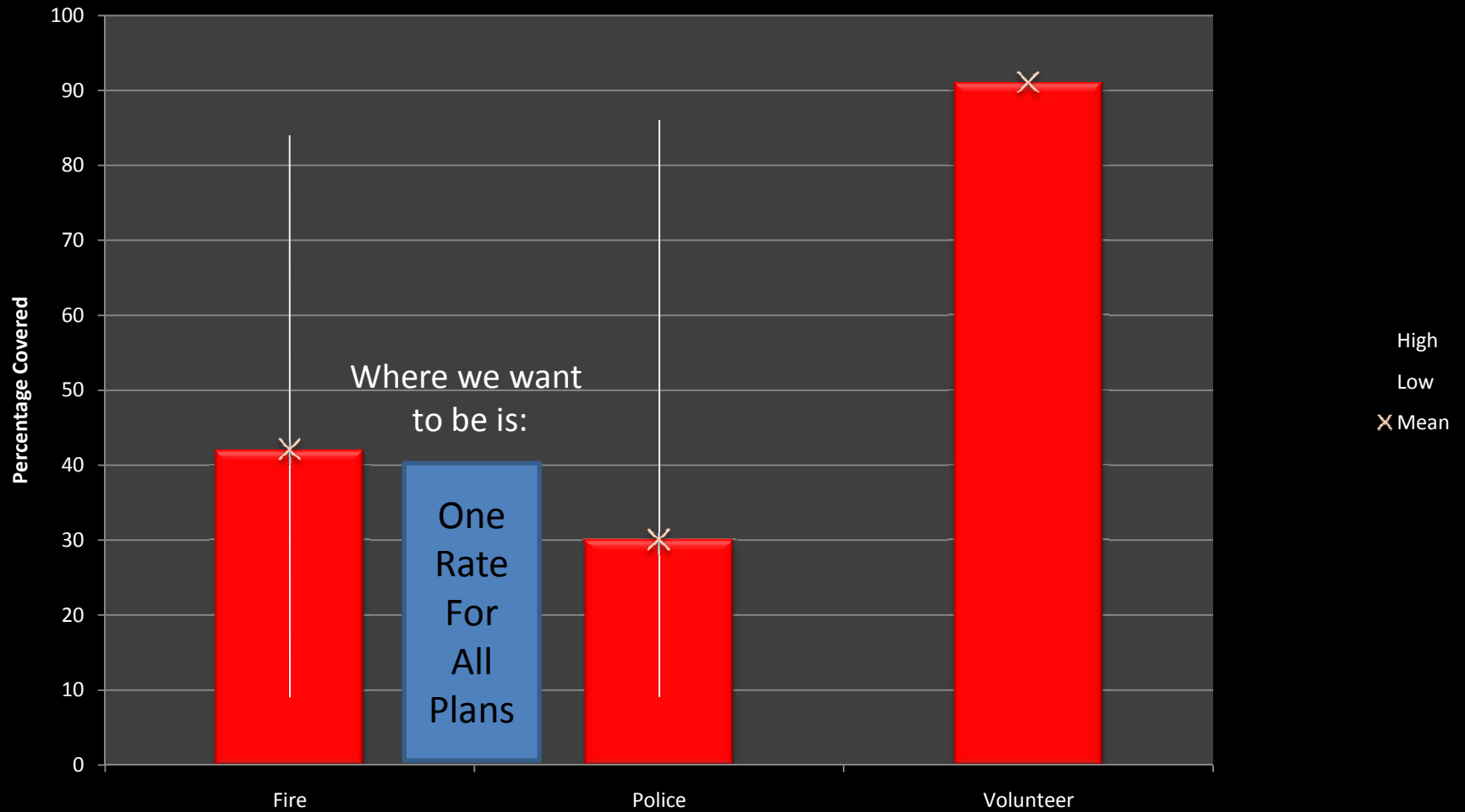
Actuarial Valuation Date	Year of Rate Application	Old Fire Pension Liability	Years Remaining to Pay	Annual Payment toward Liability
12/31/1997	1999	\$ 2,326,438	30	\$ 77,547.93
12/31/1998	2000	4,256,559	30	141,885.30
12/31/1999	2001	2,185,035	30	72,834.50
12/31/2000	2002	3,119,685	30	103,989.50
12/31/2001	2003	2,784,684	30	92,822.80
12/31/2002	2004	3,137,453	30	104,581.77
12/31/2003	2005	4,902,966	30	163,432.20
12/31/2004	2006	5,166,900	30	172,230.00
12/31/2005	2007	6,297,097	30	209,903.23
12/31/2006	2008	7,381,834	30	246,061.13
12/31/2007	2009	6,878,724	29	237,197.38
12/31/2008	2010	11,799,777	28	421,420.61
12/31/2009	2011	11,177,736	27	413,990.22

# Funding by Insurance Turnback

- Pension costs are growing faster (5% per year) than premium tax distributions (3%)
  - This will be worse as LOPFI and old plan cost increase over the next five years.
- Growing difference in out of pocket cost among participating locations
- Need to stabilize cost so locations can plan and provide public safety
- Premium tax formula and other efforts have helped increase LOPFI coverage



# Cost Covered by Premium Tax



# Calculation of Millage

## Projected Tax Base Method

### A. Total City Wide Tax Base

1. Real Property Assessed Value	\$	770,535,692
2. Personal Property Assessed Value		229,229,580
Total Assessed Value	\$	999,765,272

B. Anticipated Percentage of Collections 89.50%

C. Tax Base Included in Calculation \$ 894,789,918

D. Amount of Millage Required to Fund Contributions \$ 763,614

E. Millage Rate Required (D/C) 0.853401