

**CITY OF BLOOMINGTON
WORK SESSION AGENDA
109 E. OLIVE
MONDAY, OCTOBER 22, 2012, 5:00 P.M.**

ADDENDUM

1. Pensions: Pension Funding Discussion. *Handout entitled City of Bloomington Pension Funding, October 22, 2012.*
2. CY2012 Property Tax Levy Discussion. *Handout entitled City of Bloomington Property Tax Levy Information.*
3. Adjourn at 6:20pm

City of Bloomington Pension Funding

October 22, 2012

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The purpose of this study is to assist the City of Bloomington in understanding the process of determining a sound actuarial basis for funding its Police and Fire pension plans. The City is subject to certain statutory constraints with respect to the benefits provided by the plans, the investments available for the plan assets, and minimum levels of annual contributions.

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We relied on historical information supplied by the City and on the May 2011 valuation reports prepared by Tepfer Consulting Group, Ltd. We performed a limited review of the information used directly in our analysis for reasonableness and consistency and have found them to be reasonably consistent and comparable with data used for other purposes. If the financial information is inaccurate or incomplete, the results of our analysis may likewise be inaccurate or incomplete and our calculations may need to be revised. If there are material defects in the data, it is possible that they would be uncovered by a detailed, systematic review and comparison of the data to search for data values that are questionable or for relationships that are materially inconsistent. Such a review was beyond the scope of our assignment.

Rebecca A. Sielman, FSA is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion contained herein.

Topics

**Pension
Terminology**

**Bloomington
History**

**Projection
Results**

**Developing
Bloomington's
Contribution
Policy**

Demographic Assumptions

Turnover

Will an employee work for the City long enough to qualify for benefits?

Retirement

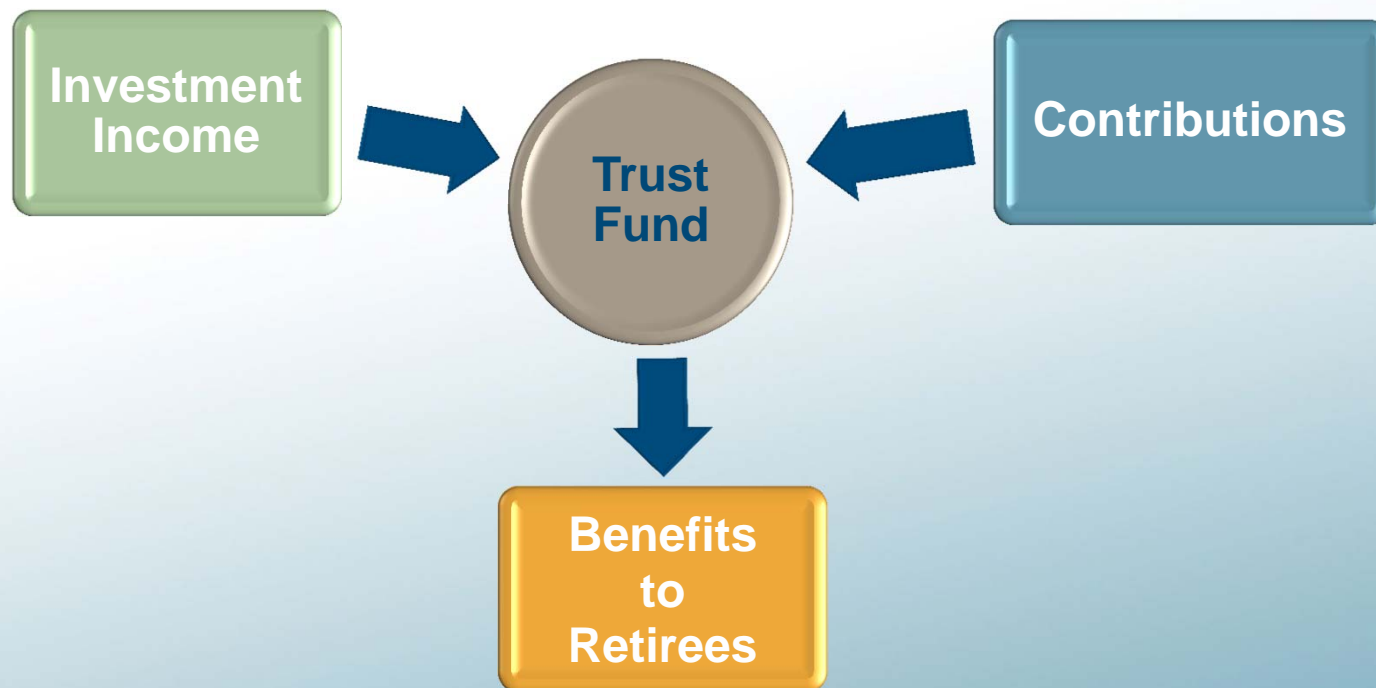
When will the employee retire and start collecting benefits?

Mortality

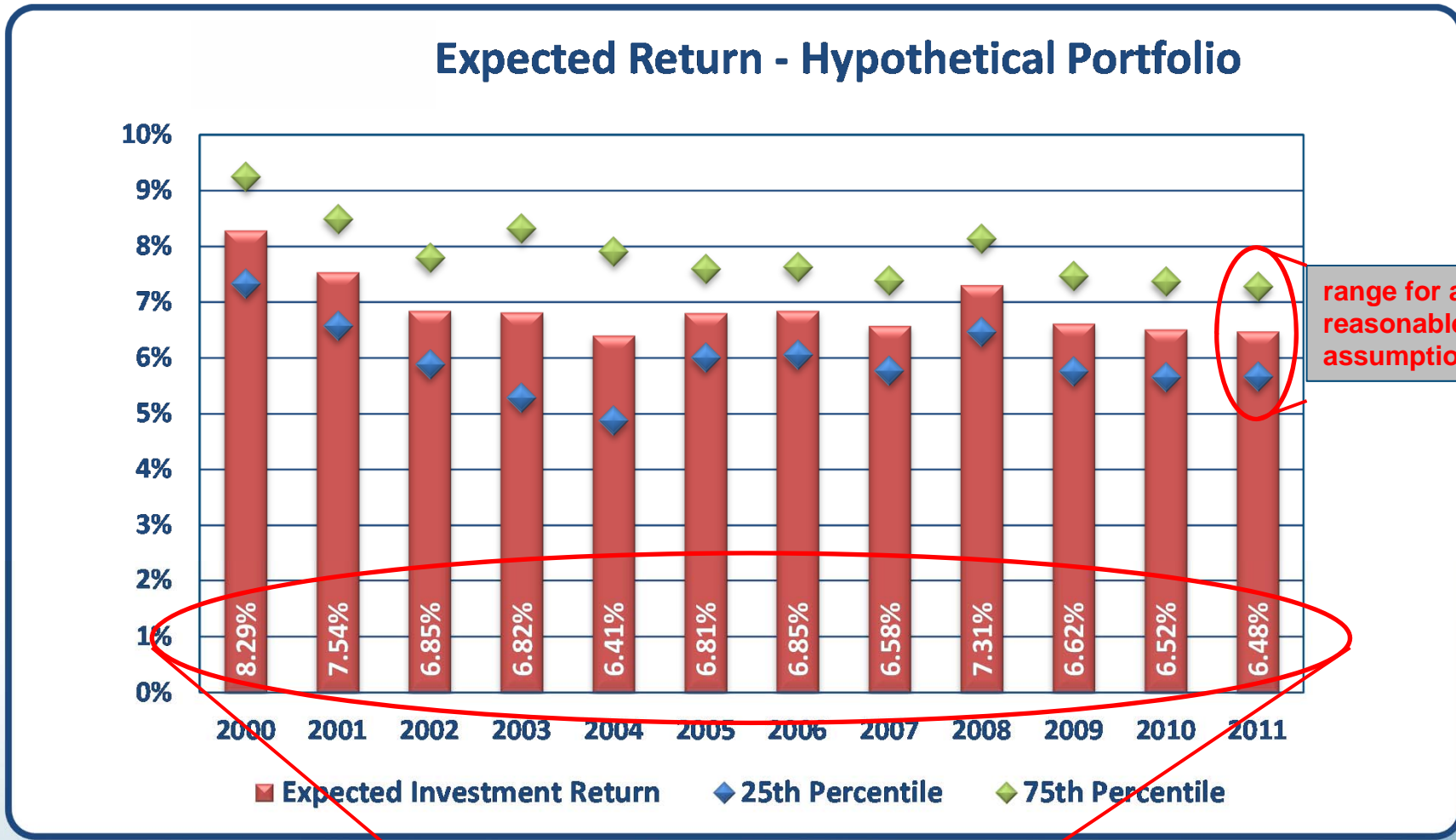
How long will the retiree continue to receive the benefits?

Interest Rate Assumption

What is the present value of all of those future benefits in terms of today's dollars? What can we expect to earn long-term on our investments?



Gradual Decline in Interest Rate Assumption



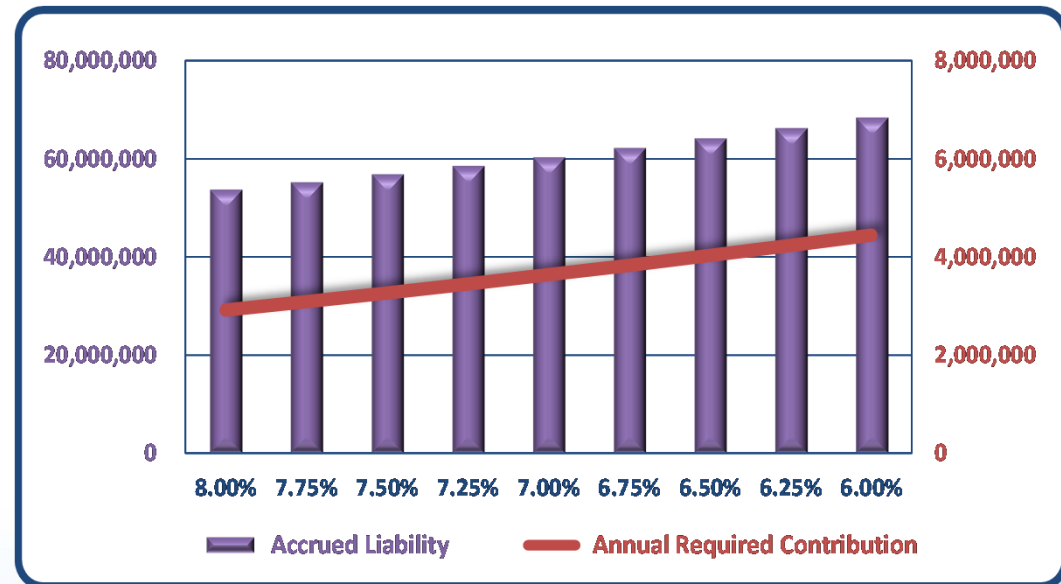
180 bp decline in the past decade

range for a reasonable assumption

Impact of Lowering Interest Rate Assumption

Short Term

- Higher liabilities
- Lower funding ratios
- Larger contributions

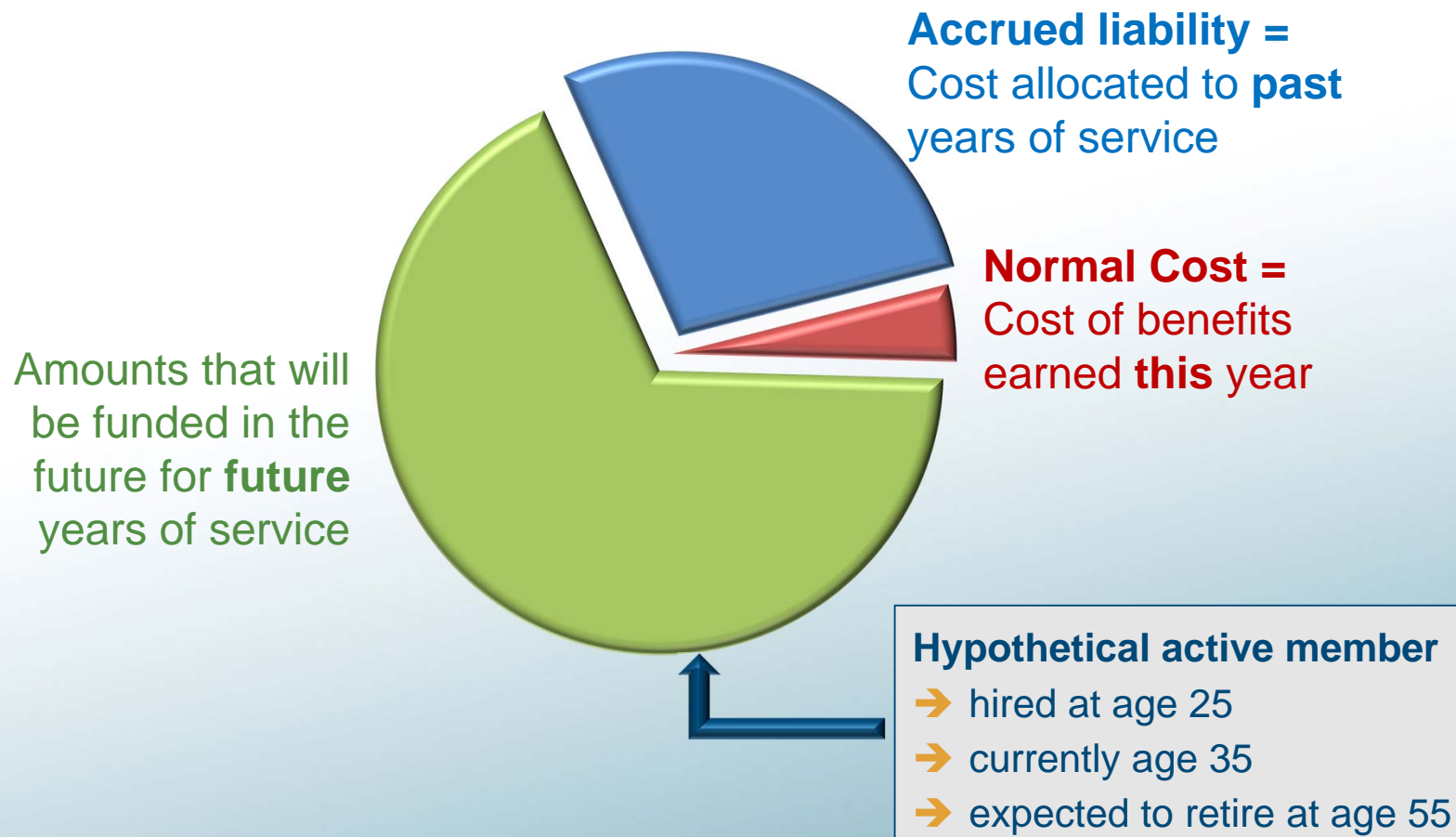


Long Term

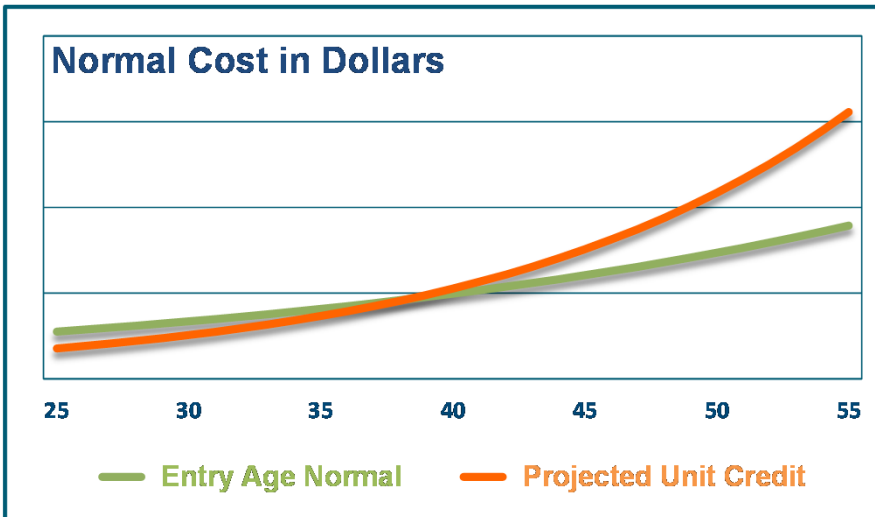
- More likely that investment returns will meet or exceed assumption
- Less likely that actuarial losses will accumulate
- Greater stability of contribution levels
- Decreased pressure on future taxpayers
- Credit positive

Actuarial Cost Method

Different approaches to allocating the cost of pension benefits over a member's working lifetime.



Actuarial Cost Method



Two predominant methods

Entry Age Normal

Projected Unit Credit

Choice does **not** impact:

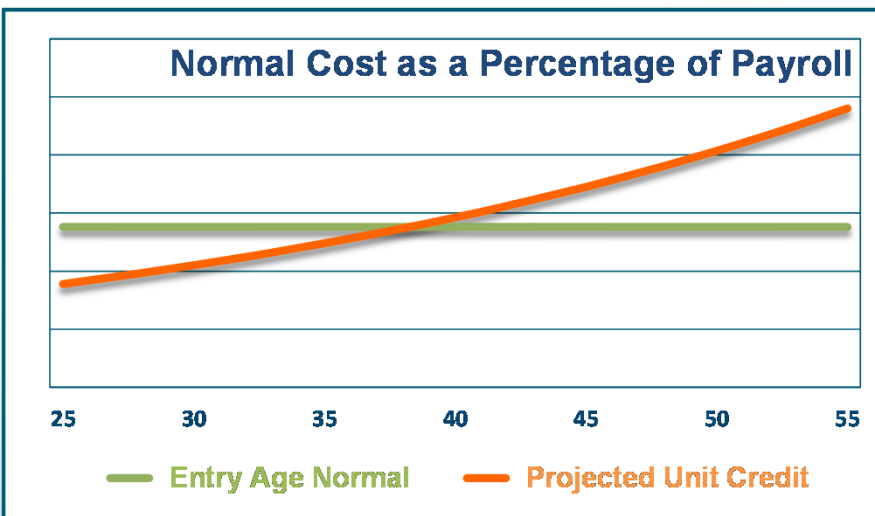
→ The long-term cost to the City

Choice **does** impact:

→ Contribution now

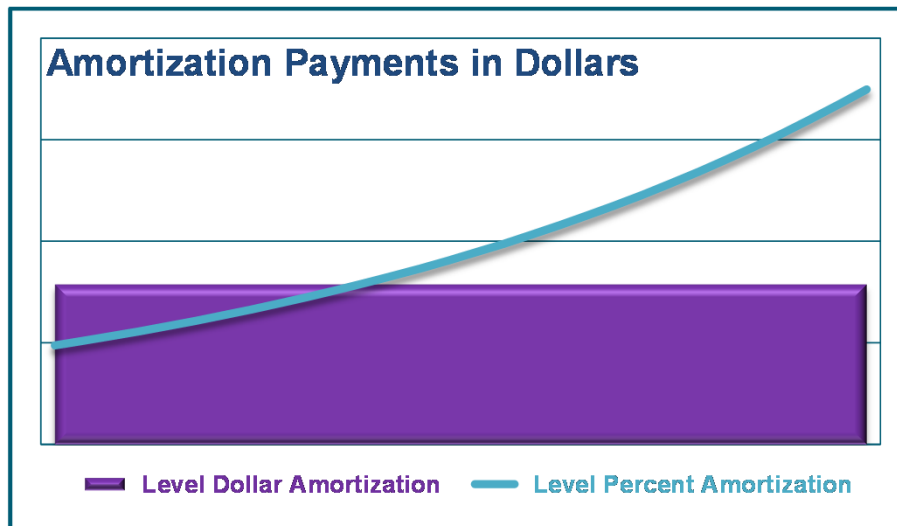
→ Pattern of contribution increases in the future

Not a significant difference for City's Police & Fire plans.



Amortization Method

Different approaches to paying off the Unfunded Accrued Liability over time: **level dollar** and **level percent**

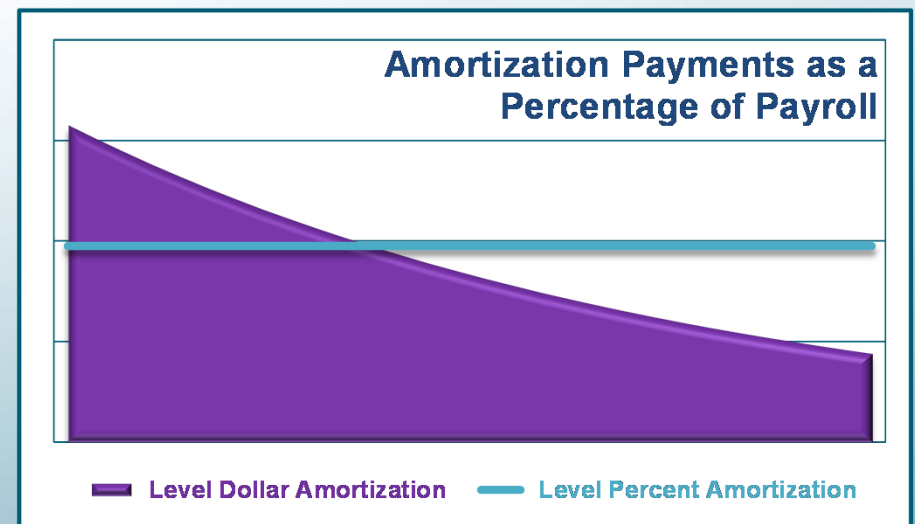


Choice does **not** impact:

- Unfunded liability today
- Funded ratio today
- When the plan will be 100% funded
- The long-term cost to the City

Choice **does** impact:

- Contribution level now
- Pattern of contribution increases in the future



Annual Required Contribution (“ARC”)

Normal Cost

Cost of benefits earned this year (this year’s IOUs)

Amortization Payment

Pay off the Unfunded Accrued Liability (IOUs that have been handed out but not cashed in yet)

Interest

Adjust for timing between valuation date and contribution payment date

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Police Plan

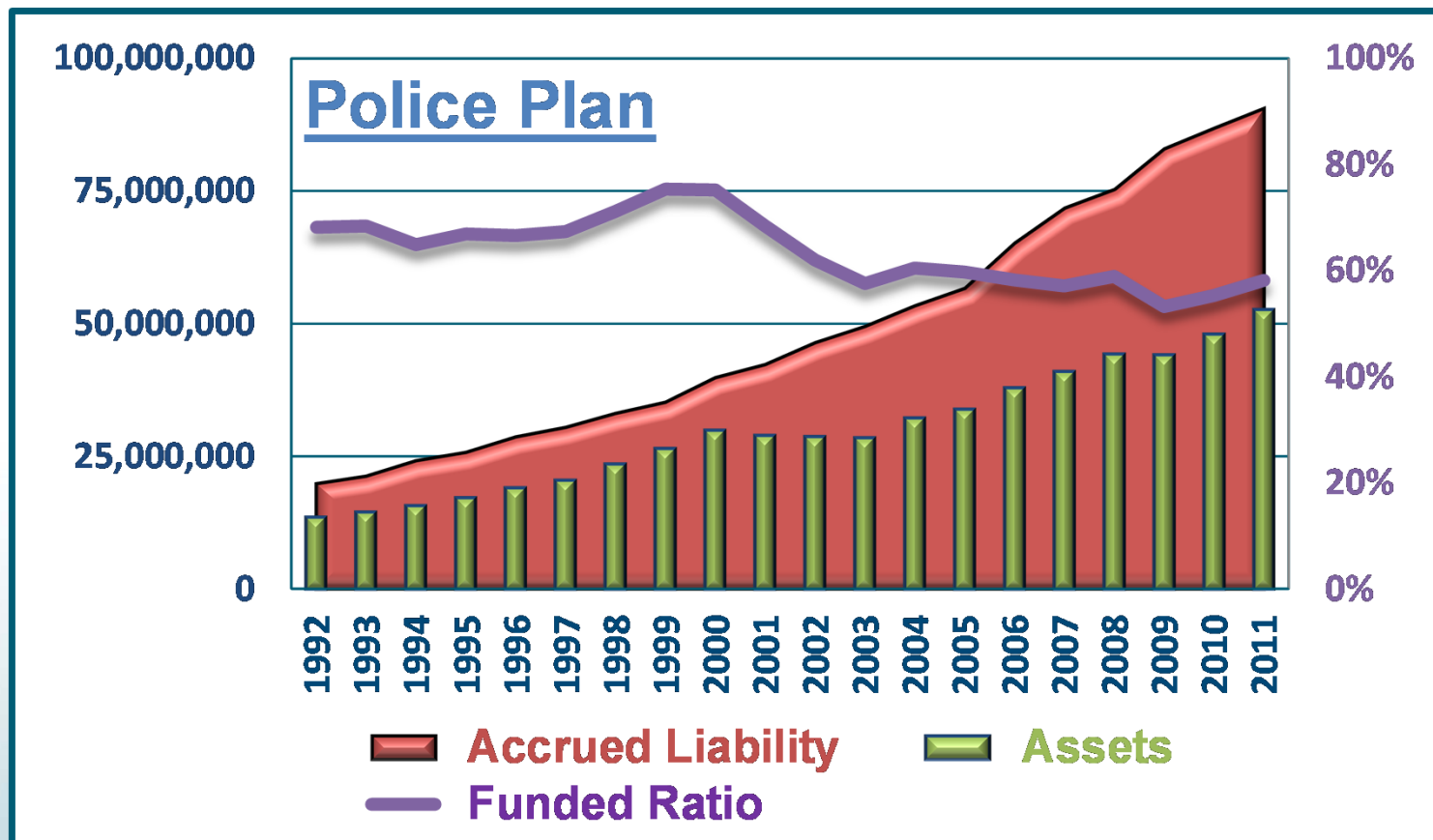
One-Time Events

1993: COLA enhancement

2001: increase in benefit multiplier, employee contribution rate

2007: updated actuarial assumptions

2011: lower benefits established through creation of Tier 2



Fire Plan

One-Time Events

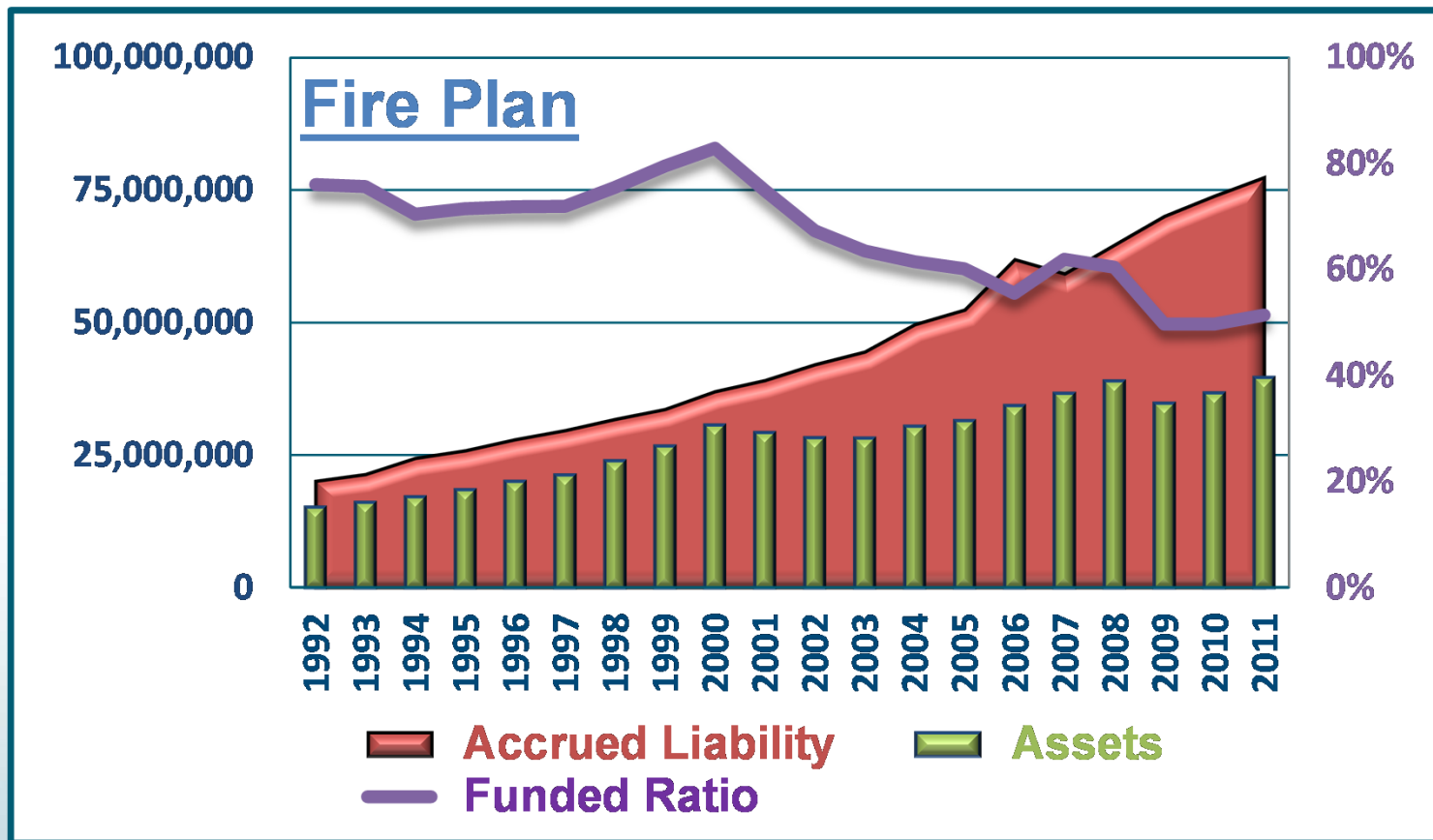
1993: increased survivor benefits

1999: increase in benefit multiplier, employee contribution rate

2004: increased survivor benefits, employee contribution rate

2007: updated actuarial assumptions

2011: lower benefits established through creation of Tier 2

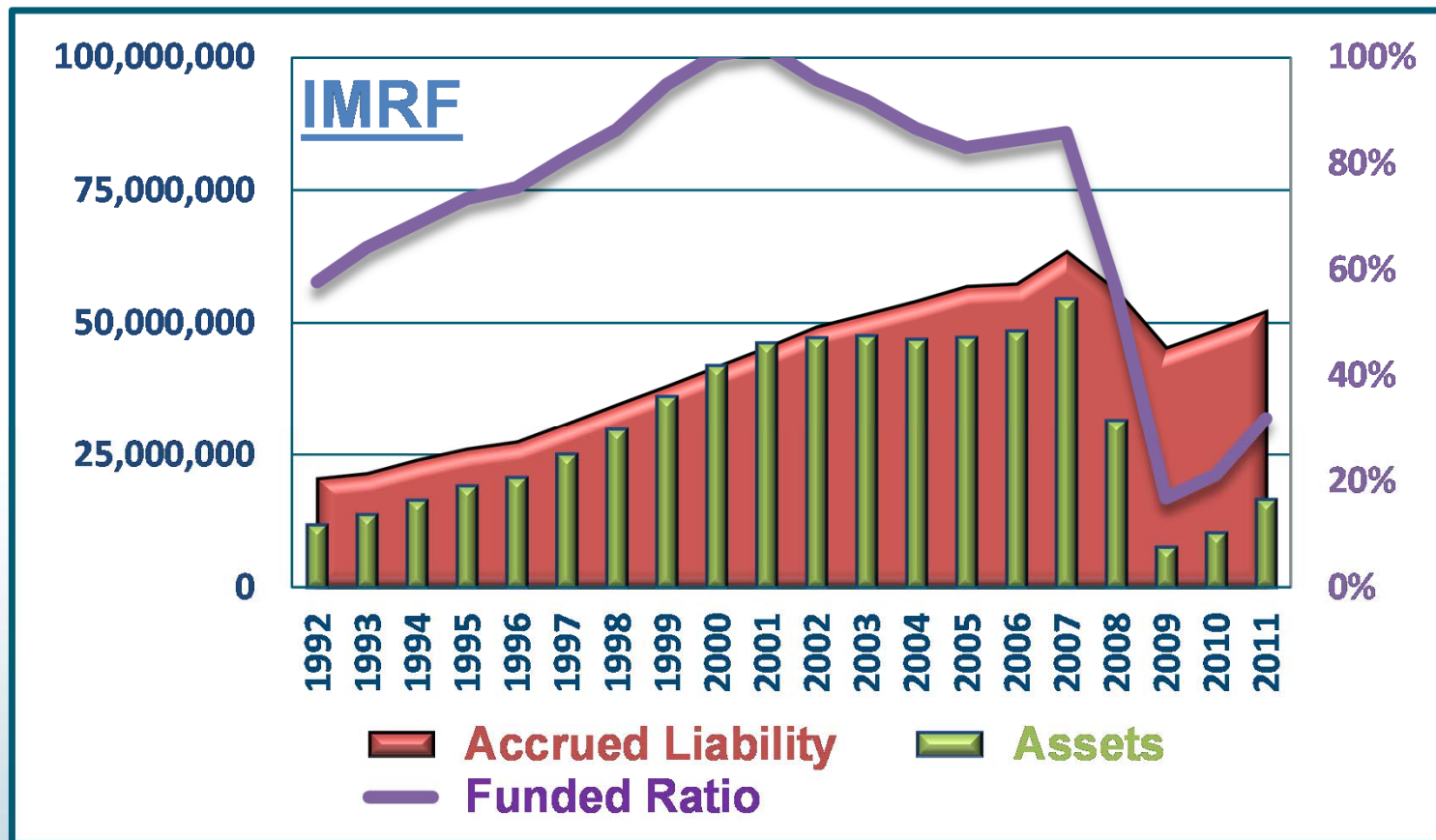


IMRF Plan

One-Time Events

2009: significant asset losses

2009: retirement incentive offered



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“LEAF”

Characteristics of a sound contribution policy:

- **L**ong term in outlook
- **E**quitable across generations of taxpayers
- **A**void surprises by using a consistent process designed to minimum volatility
- **F**lexible in response to unusual situations

Contribution Policy

How will the City decide each year how much to contribute to the Police and Fire plans:

- Statutory minimum contribution
- Actuarially determined amount
 - Funding method = EAN or PUC?
 - Funding towards 90% or 100%?
 - Level dollar or level percent amortization?
 - Conservative or aggressive assumptions?
 - Is a transition strategy necessary in the short term?
- Some other method

Questions?

CITY OF BLOOMINGTON PROPERTY TAX LEVY INFORMATION

Bloomington City Council

October 22, 2012

Tax Levy Proposed Timeline

- The recommended time line to establish the 2012 tax levy is as follows:
 1. October 22, 2012 – Tax Levy Discussion
 2. November 13, 2012 - Adopt Estimated** Tax Levy
 3. December 10, 2012 - Adopt Tax Levy Ordinance (including abatements)
 4. December 17th, 2012 – Only If Needed

**The Estimated Tax Levy is may differ from the Final Tax Levy .

Property Tax Cycle

County Tax Cycle	City Fiscal Year
January 1 st , 2012 Real Estate Assessed	2012
December 31 st , 2012 Assessments Finalized send to County Assessor	2013
January 1 st , 2013 EAV Determination by County Assessor	2013
April 1 st , 2013 County Clerk applies extends levies and rates	2013
May 1 st , 2013 County Treasurer Sends Bills	2014
June 1 st , 2013 First tax payment due	2014
September 1 st , 2013 Second tax payment due	2014

Definitions of Commonly Used Terms

- **Property Tax:** The local tax on the value of real property, land, buildings and homes.
- **Assess:** To place a value on property for tax purposes. Mike Ireland is the Township assessor.
- **Equalized Assessed Valuation (EAV):** The assessed valuation multiplied by the equalization factor.
- **Equalization Factor:** A factor determined by the Illinois Department of Revenue each year to ensure an equal assessment among all 102 counties in the state. State statute requires that the aggregate value of assessments within each county must be equalized at 33 1/3% of the estimated fair market value of real property in the county. This factor is also known as the "multiplier."
- **Tax Levy:** The dollar amount in real estate taxes adopted by each taxing body.
- **Tax Rate:** The tax levy (i.e. dollar amount) divided by the total equalized assessed valuation. This figure is compiled by the McLean County Clerk and applied to the equalized assessed valuation to determine the amount paid in property taxes.
- **State of Illinois Statute - (35 ILCS 200/) Property Tax Code.**

Overlapping Tax Districts

County Property Tax is made up of 9 overlapping taxing districts (listed by largest taxing body):

- School District 87
- City of Bloomington
- McLean County
- Heartland Community College
- City of Bloomington Library
- Bloomington Township Road
- B-N Water Reclamation District
- B-N Airport
- Bloomington Township

Property Tax Allocation by District

Property Tax Dollars Collected for Tax Year 2011



Sample Tax Levy

Tax Rate and Tax Levy allocated among all Tax Bodies on a \$160,000 residence

City of Bloomington Residence		
Market Value \$160,000		
Taxing Body	Calendar Year 2010	
	2010 Tax Rate	2010 Tax Levy
CUSD 87 Bloomington	4.76383	\$ 2,162
City of Bloomington	1.06013	\$ 504
McLean County	0.91673	\$ 425
Heartland Community College	0.47361	\$ 215
City of Bloomington Library	0.25087	\$ 119
Bloomington Township Road	0.17309	\$ 114
B-N Water Reclamation District	0.16391	\$ 77
B-N Airport Authority	0.09855	\$ 40
Bloomington Township	0.03114	\$ 15
Total:	7.931856	\$ 3,672

- The owner of a \$160,000 home would pay a total property tax bill of \$3,672. From this bill, the resident would pay \$624 to the City of Bloomington and Bloomington Public Library

Tax Rate and Tax Levy allocated among the City of Bloomington activities

Taxing Body	Calendar Year 2010	
	2010 Tax Rate	2010 Tax Levy
General Corporate	0.30381	\$ 153
Police Pension	0.22555	\$ 102
Fire Pension	0.18939	\$ 82
IMRF	0.13912	\$ 66
Bonds & Interest	0.12116	\$ 58
Social Security	0.08110	\$ 39
Sub-Total:	1.060128	\$ 504
City of Bloomington Library	0.250868	\$ 119
Total:	1.310996	\$ 624

- Of the total \$504 received by the City, approximately \$250 is allocated for pension payments.

Past Allocation of Bloomington's Tax Levy

- The City of Bloomington's Property Tax Levy is generally allocated across seven activities which include:
 - **General Corporate:**
 - Fire Protection
 - Police Protection
 - Public Parks
 - **Bloomington Public Library**
 - **Police Pension**
 - **Fire Pension**
 - **Illinois Municipal Retirement Fund (IMRF)**
 - **Social Security**
 - **Bond & Interest Fund**
- The funds that derive from each tax levy may only be designated for the specific purpose intended by the tax levy. So a pension levy cannot support the general operations of the city, but **must** be utilized for pension payments.

Equalized Assessed Value

Levy Year	Equalized Assessed Value	% Change
2002	\$1,276,500,913	7.58%
2003	\$1,351,696,013	5.89%
2004	\$1,415,670,679	4.73%
2005	\$1,489,321,602	5.20%
2006	\$1,559,440,896	4.71%
2007	\$1,667,662,805	6.94%
2008	\$1,728,787,894	3.67%
2009	\$1,792,329,513	3.68%
2010	\$1,799,164,559	0.38%
2011	\$1,800,134,282	0.05%
2012	\$1,769,500,208	-1.70%

Direct Tax Rate

Levy Year	Tax Rate	% Change
2002	1.29353	1.49%
2003	1.28389	.76%
2004	1.28069	-.24%
2005	1.27185	-.69%
2006	1.26829	-.27%
2007	1.27266	.34%
2008	1.25649	-1.27%
2009	1.33083	5.91%
2010	1.31118	-1.47%
2011	1.31028	-.06%
2012	TBD	TBD

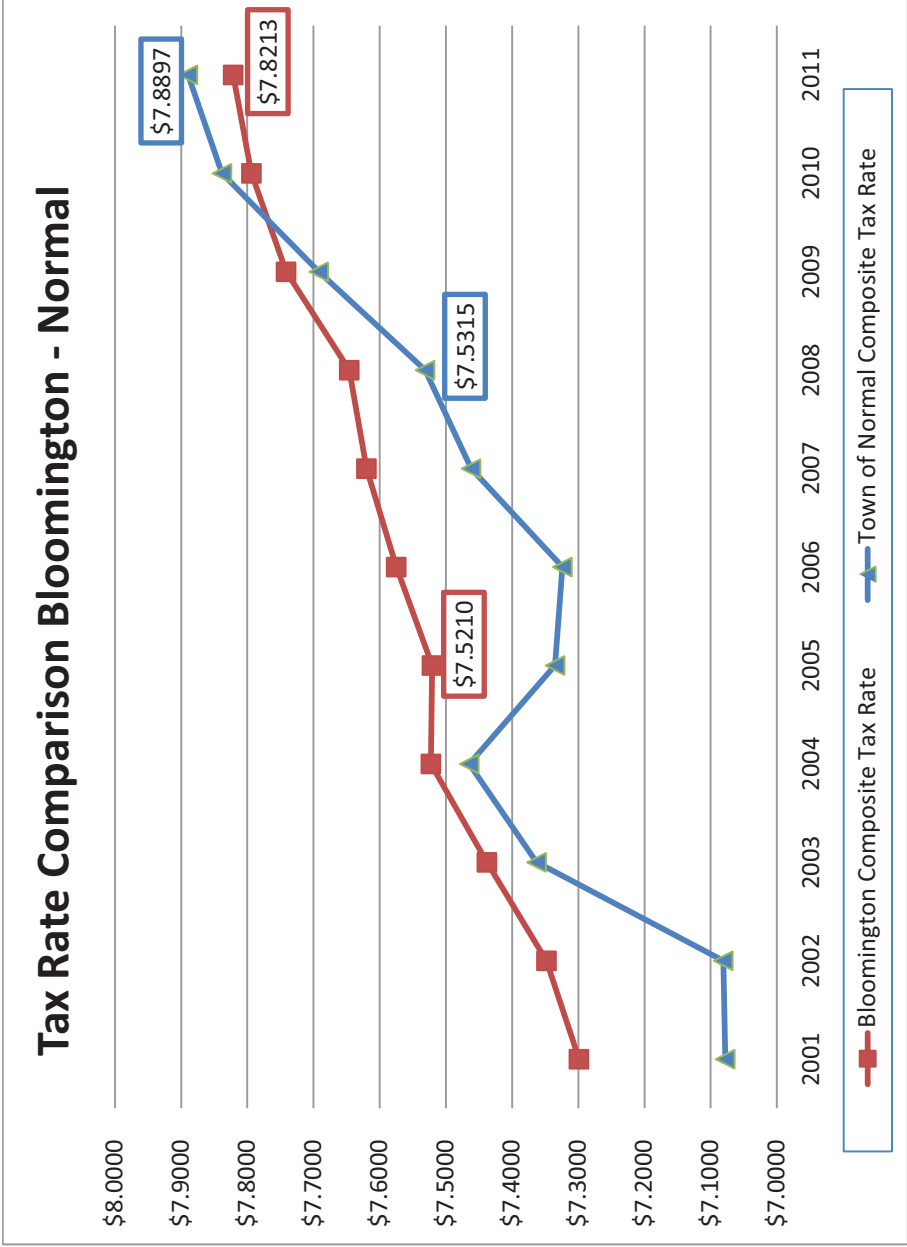
Taxes Levied

Levy Year	Total Property Tax Levied	% Change
2002	\$16,511,539	9.19%
2003	\$17,354,425	5.10%
2004	\$18,130,494	4.47%
2005	\$18,942,681	4.48%
2006	\$19,778,389	4.41%
2007	\$21,224,345	7.31%
2008	\$21,722,220	2.35%
2009	\$23,586,125	8.58%
2010	\$23,590,646	0.02%
2011	\$23,586,800	-0.02%
2012	TBD	TBD

Taxes Collected

Fiscal Year	Total Property Tax Collected	% Change
2002	\$13,191,026	2.41%
2003	\$14,150,050	7.27%
2004	\$17,599,918	24.38%
2005	\$18,439,818	4.77%
2006	\$19,635,649	6.49%
2007	\$20,620,062	5.01%
2008	\$21,426,508	3.91%
2009	\$22,704,620	5.97%
2010	\$23,386,594	3.00%
2011	\$25,465,406	8.89%
2012	\$23,572,329**	-7.44%

** Unaudited



	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Composite COB Rate per \$100 assessed value	\$7.2990	\$7.3480	\$7.4380	\$7.5226	\$7.5210	\$7.5750	\$7.6200	\$7.6459	\$7.7414	\$7.7937	\$7.82128
Composite Normal Rate per \$100 assessed value	\$7.0780	\$7.0810	\$7.3630	\$7.4647	\$7.3350	\$7.3240	\$7.4620	\$7.5315	\$7.6920	\$7.8383	\$7.88968

Taxing Entities in Town of Normal	Rate	Rate	Taxing Entities in City of Bloomington
MCLEAN COUNTY	0.91571	0.91571	MCLEAN COUNTY
NORMAL TOWNSHIP	0.16501	.14328	CITY OF BLOOMINGTON TOWNSHIP
TOWN OF NORMAL	0.77488	1.05955	CITY OF BLOOMINGTON
NORMAL TWP ROAD DIST	0.08965	0	NOT APPLICABLE
B-N WATER RECLAMATION DIST	0.16390	0.16390	B-N WATER RECLAMATION DIST
BLM-NRM AIRPORT AUTH	0.15486	0.15486	BLM-NRM AIRPORT AUTH
CUSD 5 NORMAL	4.73499	4.65741	CUSD 87 BLOOMINGTON
NORMAL PUBLIC LIBRARY	0.41484	0.25073	CITY OF BLOOMINGTON LIBRARY
HEARTLAND COMM COLLEGE 540	0.47584	0.47584	HEARTLAND COMM COLLEGE 540
Total Composite Tax Rate	\$ 7.88968	\$ 7.82128	Total Composite Tax Rate

Bold indicate different rates. The City of Bloomington is a coterminous township so there is no "Road District" taxes on all roads are maintained by the City of Bloomington.**

** (Except for parts of Dale, Dry Grove, Old Town and Towanda Townships that are located in disputed City of Bloomington Township boundaries, taxpayers in those areas pay a township road tax to the rural township.)