For Immediate Release

Police-Fire Pension Funding Ratio Moves Upward

At its monthly meeting today, the Police-Fire Pension Board of Trustees met and reviewed the latest annual actuarial report on Springfield’s Police-Fire Pension Fund. The report is compiled by Milliman, the Board’s actuary.

For the fiscal year ending June 30, 2010, the Pension Fund saw investment returns of 11.1 percent. The positive returns, in addition to revenue from the voter-approved Police-Fire Pension Fund sales tax and telecommunications settlement revenue has led to the first upward movement in the Pension Fund’s funding ratio in 10 years. The report shows the system as 47.6 percent funded. Last year’s annual report showed the system as 46.5 percent funded. A revised report expected by the end of the month is likely to show an even higher funded ratio due to the inclusion of more recent sales tax revenues.

Michael Zwiener of Milliman told the Board Thursday that the City’s contribution to the pension system from its General Fund would have been required to equal 94.9 percent of police-fire payroll — or about $19.9 million — were it not for the ¾-cent Pension Fund sales tax. The City’s contribution last year equaled 52 percent of payroll, which was considered an unsustainable amount at the time.

The City continues to contribute General Fund revenue to the Pension Fund. The City plans to continue to contribute 35 percent of payroll to the fund, which is a sustainable level and is closer to the historical annual contribution. Continuing to contribute 35 percent of payroll into the fund is one of the commitments City Council made to voters prior to the Pension Fund sales tax election.

Collection of the Pension Fund sales tax began April 1. So far, the report reflects the collection and deposit of more than $1.55 million into the fund. However, City Finance Director Mary Mannix Decker noted the report does not include the deposit of approximately $4 million of Pension Fund sales tax revenue collected in May and June but not received until July and August (receipt by the City typically lags 60 days behind collection).

The annual report presented today was a snapshot of the Pension Fund system as of June 30, 2010. Consistent with accounting standards, the more recent sales tax revenues should be reflected in any revised reports. The Board today requested such a revision, and Zweiner said Milliman would present an updated report to the board in time for its November meeting.

“While not a lot of Pension Fund sales tax is included in this year’s calculation, the small amount received is already showing signs of helping the fund,” said Pension Board member James Gillette, an actuary for American National Property and Casualty. “This is a great sign.”

The newly formed Citizens Sales Tax Oversight Committee is examining the collection and deposits of sales tax revenue into the fund. This group was formed by City Council to bolster
its commitment to voters that it would put 100 percent of the Pension Fund sales tax revenue into the fund. That group’s next meeting is Oct. 26, and is open to the public.

The annual report does reflect the one-time impact of the recent $13.3 million telecommunications settlement that has been deposited into the fund. Putting all telecommunications settlement revenue into the fund was also one of the commitments City Council made to voters prior to the Pension Fund Sales Tax election.

Mayor James O’Neal stated, “This is fantastic news. However, these numbers reflect only a small amount of the pension sales tax revenues. We expect to see the real impact of that tax in next year’s report. However, it already shows the wisdom of the Springfield community in passing the pension sales tax. Without it, a 95 percent contribution would gut our City services. We owe a huge ‘thank you’ to voters for their commitment to our community.”

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