

**VILLAGE OF LAKE BLUFF  
COMMITTEE-OF-THE-WHOLE MEETING  
May 9, 2016**

**APPROVED MINUTES OF MEETING**

The Village of Lake Bluff Board of Trustees met as a Committee-of-the-Whole (COW) in the Village Hall Board Room (40 East Center Avenue) on Monday, May 9, 2016. Village President O’Hara called the meeting to order at 6:00 p.m. and Village Clerk Aaron Towle called the roll and announced the following were present:

Village President: Kathleen O’Hara

Trustees: Barbara Ankenman  
Steve Christensen  
Mark Dewart  
Eric Grenier  
William Meyer

Absent: John Josephitis, Village Trustee

Lake Bluff Police Pension Board Trustees:

Thomas Vinson, President  
Erik Gehrke, Vice-President  
Catharine Lemieux, Trustee  
Bradford Adams, Trustee

Also Present:

Aaron Towle, Village Clerk  
Peter Friedman, Village Attorney  
Drew Irvin, Village Administrator  
Susan Griffin, Finance Director & Pension Fund Treasurer  
Marlene Scheibl, Assistant Finance Director  
David Belmonte, Chief of Police  
Brandon Stanick, Assistant to the Village Administrator (A to VA)  
Kathleen Manning, Managing Principal & Consulting Actuary, MWM Consulting

**Non-Agenda Items and Visitors**

President O’Hara stated the COW allocates 15 minutes for those individuals who would like the opportunity to address the COW on any matter not listed on the agenda.

There were no requests to address the COW.

**Consideration of the Minutes from the April 11, 2016 Committee-of-the-Whole Meeting**

Trustee Dewart moved to approve the April 11, 2016 COW Meeting Minutes as presented. Trustee Meyer seconded the motion. The motion passed on a unanimous voice vote.

**A Discussion Regarding Police Pension Plan Actuarial Valuation Assumptions**

Following a brief intermission, the COW reconvened to conduct a discussion with the Police Pension Fund Board (PPF). Finance Director Griffin introduced the Pension Board Trustees and Ms. Kathleen

Manning, Managing Principal with MWM Consulting Group. Finance Director Griffin stated that the purpose of the joint meeting was to discuss the actuarial assumptions for the FY2016 Police Pension Plan Actuarial Valuation.

Ms. Manning began by noting that, while she has a brief slide presentation, it is to be more of an open dialogue rather than a formal presentation. She will begin by addressing the: (i) funding valuation results, (ii) funding policy, (iii) accounting valuation results, (iv) impact of the Governmental Accounting Standards Board (GASB) Statements 67/68 on the financial statements beginning with FY2016, (v) timing of contributions, and (vi) significant actuarial assumptions.

Ms. Manning stated that the FY2015 actuarial valuation was developed to be 95% funded by 2040 using the more conservative Entry Age Normal Cost method plus amortization on a level dollar amount. The level dollar amortization funds the Plan faster than the percentage of payroll method which pushes large dollar amounts to later years based upon anticipated increases in payroll. The Entry Age method is required in compliance with GASB Statements 67/68 but with different annual cost and amortization methods. She reviewed funding valuation results and remarked that the funding policy should be a written policy articulating the actuarial methodology and assumptions to be used to calculate the actuarially determined contribution and the commitment to fund accordingly.

Ms. Manning explained that GASB 67/68 dictates the accounting methodology used for the financial statements which is separate from the funding methodology. She noted that the Village's FY2016 government-wide Statement of Net Position will include a prior period adjustment of \$6.318 million for the opening pension liability as of 5/1/2015.

She directed the Board members to slide 8 showing the following significant actuarial assumptions by funding and accounting methodology:

- Salary increases
- Long term rate of return on investments
- Discount rate
- Retirement rates
- Mortality rates

Discussion ensued regarding Ms. Manning's recommendation to begin reducing the 50% load on the mortality table to 25% with the goal of ultimately eliminating the load. She estimates that the reduction to 25% would cause a 3% increase in the liabilities. She also recommended increasing the grading for the rates of disability. Ms. Manning noted that while the average rate of return for the past five years was about 6%, the long term rate of return on investments is meant to reflect 40+ years of returns. After discussion, no changes were recommended to the 7% long term rate of return on investments.

Trustee Meyers asked is disability risk can be off-loaded with an insurance contract. Ms. Manning replied that she would look into this and provide information to Finance Director Griffin.

Ms. Manning finalized by stating that MWM can prepare a pro forma plan valuation based on actuarial assumptions approved by the Board in order to assess the impact of actuarial assumption changes on the Plan's funding level, annual contribution and net pension liability.

The Police Pension Board will recommend actuarial assumptions to the Village Board for inclusion into the Village's financial policies.

**Adjournment**

As no further business came before the COW, Trustee Grenier moved to adjourn the meeting. Trustee Christensen seconded the motion. The motion passed on a unanimous voice vote and the meeting adjourned at 6:57 p.m.

Respectfully Submitted,

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R. Drew Irvin  
Village Administrator