

LAKE BLUFF POLICE PENSION FUND
JOINT MEETING WITH THE VILLAGE COMMITTEE OF THE WHOLE
Village Hall Boardroom, 40 E. Center Ave, Lake Bluff, IL 60044
May 9, 2016 6:00 P.M.

Roll Call

Lake Bluff Police Pension Board Trustees Present: Brad Adams, Erik Gehrke, Catharine Lemieux, and Tom Vinson.

Trustees Absent: Mark Betz.

Village President: Kathleen O'Hara

Village Board of Trustees Present: Barbara Ankenman, Steve Christensen, Mark Dewart, Eric Grenier, and William Meyer.

Trustees Absent: John Josephitis

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

Non-Agenda Items and Visitors

None

Business Items

1. Discussion Regarding Police Pension Plan Actuarial Valuation Assumptions

The Police Pension Board of Trustees convened to conduct a discussion with the Village Board Committee of the Whole. 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 if 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

At 6:58 P.M. Trustee Adams moved to adjourn the meeting; Trustee Gehrke seconded the motion and it was approved unanimously on a voice vote.

Respectfully submitted,

Catharine Lemieux
Vice-Secretary

Susan Griffin
Treasurer/Recording Secretary