

**MINUTES OF THE REGULAR MEETING OF THE
VILLAGE OF NEW LENOX
POLICE PENSION BOARD**

**Held at the New Lenox Police Department, 200 Veterans Pkwy
Monday, July 27, 2015 5:00 p.m.**

#15-03

Call to Order

Martin Nowak called the Regular Meeting of the New Lenox Police Pension Board to order at 5:05 p.m.

Roll Call

Upon roll call the following members were present:

Martin Nowak, Robert Pawlisz and Dennis Klier.

Also present: Dave Wall of Wall and Associates; Evan Haim of Reimer and Karlson; Steve Earnhardt of Lauterbach & Amen; Jason Franken of Foster & Foster; Kurt Carroll, Village Administrator and Kim Auchstetter, Village Finance Director.

Public Comment -- None

Approval of Minutes

Bob Pawlisz made a motion to approve the April 27, 2015 minutes. Marty Nowak seconded the motion.

Upon roll call the vote was as follows:

AYES 3 - Marty Nowak, Robert Pawlisz and Dennis Klier

NAYES 0 - None

Absent 2 - Dave Dileto and Kyle Branyik

Treasurer's Report

Kim reported the total monthly pension is \$48,277.01. Average monthly pension withholding deposited into the checking account is approximately \$24,000. Therefore \$24,500 is needed to cover the monthly pension payments. As of 7/27/15, there is \$545,000 in the checking account. The excess amount to invest after paying pensions and invoices into the next meeting is \$400,000. About 52% of the \$1,038,749 tax levy has been received. Should receive the remaining balance by the end of October. Kim is in the process of setting up the new checking

account at the Lincoln-Way Community Bank. The audit is finished and Kim expects the report by the end of August.

Lauterbach & Amen

Steve reported on the June 30, 2015 Monthly Financial Report. Currently there is a \$17,261,634.17 net position held in trust for pension benefits. He reviewed the remainder of the report with the board. A copy of the report is on file with the meeting's minutes.

Wall and Associates

Dave reported on the Second Quarter 2015 report. The ending market value for the quarter is \$17,277,841.91, a loss of \$16,122.64. Dave summarized the remainder of the report, which is on file with a copy of the minutes. Dave recommended moving the cash in the checking account into equities and diversify into the ETF's that we currently hold. Bob Pawlisz made a motion to move the \$400,000 in the checking account into the equity accounts. Dennis Klier seconded the motion.

Upon roll call the vote was as follows:

AYES	<u>3</u>	-	Marty Nowak, Robert Pawlisz and Dennis Klier
NAYES	<u>0</u>	-	None
Absent	<u>2</u>	-	Dave Dileto and Kyle Branyik

Dennis Klier made a motion to accept the Treasurer's Report, Financial Report and Quarterly Report as given. Marty Nowak seconded the motion.

Upon roll call the vote was as follows:

AYES	<u>3</u>	-	Marty Nowak, Robert Pawlisz and Dennis Klier
NAYES	<u>0</u>	-	None
Absent	<u>2</u>	-	Dave Dileto and Kyle Branyik

Approval of Disbursements

Bob Pawlisz made a motion to approve the following disbursements:

- a) Wall and Associates, \$8,426.16
- b) Reimer, Dobrovolny & Karlson, LLC, \$750.00
- c) Lauterbach & Amen, April & May Services, \$1,750.00
- d) Lauterbach & Amen, June Services, \$885.00
- e) Martin Nowak, 5/1/15 IPPFA Pension Seminar/Tolls, \$48.54
- f) Foster & Foster – GASB 67 disclosures, \$1,250.00
- g) Dept. of Insurance – FY2016 Compliance Fee, \$3,044.67 (ratify)

Dennis Klier seconded the motion.

Upon roll call the vote was as follows:

AYES 3 - Marty Nowak, Robert Pawlisz and Dennis Klier
NAYES 0 - None
Absent 2 - Dave Dileto and Kyle Branyik

Applications for Membership

Bob Pawlisz made a motion to accept Brandon Tilton and Christie Subido as Tier 2 members of the pension fund, dates of hire as indicated on their applications. Marty Nowak seconded the motion.

Upon roll call the vote was as follows:

AYES 3 - Marty Nowak, Robert Pawlisz and Dennis Klier
NAYES 0 - None
Absent 2 - Dave Dileto and Kyle Branyik

Applications for Refund – None

Review of Board’s Administrative Rules

No action will be taken at this time.

2015 Actuarial Assumptions

Jason Franken of Foster & Foster recently completed the GASB 67 disclosure statement, a copy of which is attached to these minutes. Jason recapped last year’s evaluation assumptions, which are consistent with those that are used by the Department of Insurance when they do their evaluation. One of the key assumptions is the investment return assumption, and we have utilized the 6.75% rate of return for the investment income. We assume that in all future years, the plan is going to earn 6.75% a year, which is consistent with what the Department of Insurance uses for plans with over \$10,000,000 of assets, which Jason believes is a reasonable target and he would recommend that we stay at that rate.

Another important assumption is the mortality assumption. The board currently uses the RP-2000 Combined Healthy Mortality Table, without any projection. This is a little different than the table used by the Department of Insurance because they use the Blue Collar Load. The Blue Collar Load lowers the life expectancy a little bit, which lowers the liability. Jason did mention that the RP-2000 table is a little dated, and there is a new table, the RP-2014 table and some plans are starting to migrate to that table. Jason explained the table that we are currently using is getting to the point where it’s going to need to be updated to incorporate some longer life expectancies which will increase the liability slightly. We need to be moving towards a new table, but he doesn’t believe that we need to do it this year. The Department of Insurance is looking to change their table in the next year.

For the salary increase table, we use the same table that the Department of Insurance uses for all police plans. For the most part we use all the Department of Insurance assumptions, based on a

study they performed in 2012. Jason does think that there will need to be some additional adjustments in the short term.

The DOI states that the minimum required contribution is the lesser of three actuarial evaluations; an independent actuary performed by the board, an independent actuary performed by the Village or the DOI's number. The DOI does use the 90% funded by 2040 assumption, as stated in the Illinois Pension Code. Jason does not like to use that because he believes it is not an actuarial sound method. The amount of unfunded liability continues to grow. The Village is allowed to contribute based on what the DOI provides. Whatever level the board wants to fund to, Jason can produce a report. However, his recommendation is not to fund to 90%, 85% or 80%. It is to fund to 100%, because that it was the obligation is.

There is a lot of upward pressure on the contribution requirement even at 100%, based on how the structure is set up for contributions to increase as you get closer to the year 2040. You are not locked in to a specific number, it will always be changing based on the actual experience that happened and that is why it is updated every year.

Regarding new GASB requirements at the end of this fiscal year, the Village is going to have to record the unfunded liability of the plan on its financial statements. It is based on GASB specific requirements. So whatever we elect to do for funding purposes, it will have no bearing whatsoever on what we're doing on the GASB basis, they are two completely separate evaluations. The unfunded liability on the GASB basis is just about \$10,000,000. So that will be on the balance sheet. If the fund loses 20% in a year, that entire hit goes right into the pension expense number. The pension expense number is not based on a 90% number, it is based on 100% and that is another reason he feels it is important to be consistent with the GASB in terms of recognizing the entire liability and not fund to some lower level that will essentially defer the contributions to future generations of taxpayers. Jason's recommendation is to fund to 100%.

Kurt Carroll stated his concerns regarding using new assumptions and the hit the Village would take. Discussion was held regarding which assumptions to use.

Evan asked the board to keep in mind that whatever assumptions we ask Jason to use, when he attends the October meeting he will have the finalized the actuarial report for approval so that the board can make a levy request. Dennis asked if Jason could give two options, one at 95% funded and one at 100% funded so the board could look at the numbers and make a decision. Jason stated he preferred not to do that because that feels like reverse engineering the contribution requirement and that does not satisfy the actuarial standards and practice. Jason prefers to have this conversation and set all the assumptions based on what the board expects to happen and then based on those decisions, run the numbers. After discussion, Jason stated he would provide the 90% DOI number, in a separate letter, disclaiming it, but it will not be in the actuarial evaluation.

After further board discussion, Dennis Klier made a motion to adopt the actuaries recommended assumptions which include a 6.75% rate of return, and a 95% funding by 2040. Bob Pawlisz seconded the motion. After discussion roll call was held.

Upon roll call the vote was as follows:

AYES 2 - Robert Pawlisz and Dennis Klier

NAYES 1 - Marty Nowak

Absent 2 - Dave Dileto and Kyle Branyik

Motion failed.

Further discussion was held regarding the assumptions to use. Dennis Klier made a second motion to adopt the actuaries recommended assumptions which include a 6.75% rate of return and a 100% funding by 2040, along with the other actuarial assumptions as stated by the actuary, Jason Franken. There was no second. Motion fails to come to a vote.

Marty Nowak made a motion to table discussion until a special meeting can be arranged. Bob Pawlisz seconded the motion.

Upon roll call the vote was as follows:

AYES 3 - Marty Nowak, Robert Pawlisz and Dennis Klier

NAYES 0 - None

Absent 2 - Dave Dileto and Kyle Branyik

A special meeting will be held before mid-September.

Election of Officers

Bob Pawlisz made a motion to reelect the same slate of officers – Marty Nowak, President; Dennis Klier, Vice President; Robert Pawlisz, Secretary; and Dave Dileto, Assistant Secretary. Dennis seconded the motion.

Upon roll call the vote was as follows:

AYES 3 - Marty Nowak, Robert Pawlisz and Dennis Klier

NAYES 0 - None

Absent 2 - Dave Dileto and Kyle Branyik

Annual IPPFA Conference

Annual conference will be held in Lake Geneva, Wisconsin, October 6th through 9th.

Annual Training Requirement

Marty reminded all board members to comply with the annual training requirement.

Legal Update

Ethan presented a report by the DOI which Reimer's office believes had been done to provide ammunition and evidence to support consolidation. After reviewing the report, 90% of the funds are doing their job and making money.

Adjournment

Bob Pawlisz made a motion to adjourn the meeting. Dennis Klier seconded the motion.

Upon roll call the vote was as follows:

AYES 3 - Marty Nowak, Robert Pawlisz and Dennis Klier

NAYES 0 - None

Absent 2 - Dave Dileto and Kyle Branyik

Meeting adjourned at 7:00 p.m.

The next Special Meeting will be August 5, 2015 at 5:00 p.m. in the Training Room of the New Lenox Police Department.