

## **Village of La Grange Special Board Meeting**

Date: Monday, November 09, 2009

Time: 8:15 PM

Location: Village Hall Auditorium

Minutes of the Meeting

MINUTES

### VILLAGE OF LA GRANGE SPECIAL MEETING OF THE VILLAGE BOARD OF TRUSTEES

Village Hall Auditorium  
53 South La Grange Road  
La Grange, IL 60525

Monday, November 9, 2009  
(immediately following the regular Village Board meeting)

#### 1. CALL TO ORDER AND ROLL CALL

The Board of Trustees of the Village of La Grange special meeting was called to order at 8:15 p.m. by President Asperger. On roll call, as read by Village Clerk Robert Milne, the following were present:

**PRESENT:** Trustees Holder, Horvath, Kuchler, Langan, Livingston, and Palermo

**ABSENT:** None

**OTHERS:** Village Manager Robert Pilipiszyn  
Assistant Village Manager Andrianna Peterson  
Village Attorney Paula Kirlin  
Finance Director Lou Cipparrone  
Public Works Director Ryan Gillingham  
Police Chief Mike Holub  
Fire Chief David Fleege.

#### 2. PENSION FUND WORKSHOP

President Asperger provided a review of the information from the previous pension workshop and summarized comments supplied by the panel of experts relative to the funding status of the Police and Fire Pension Funds and impact on the Village's preliminary property tax levy.

President Asperger noted that this workshop would consist of information relating to preliminary actuarial valuation results and preliminary police and fire pension levies for 2009. President Asperger introduced Actuary Mr. Timothy Sharpe to provide further insight.

Mr. Sharpe thanked President Asperger. Mr. Sharpe explained that negative investment returns over the past year impacted funding status for each fund and subsequently the proposed tax levies. Investment losses of -13% to -14% have resulted in a 33% increase in the combined tax levy.

Trustee Holder inquired how the Village of La Grange compares to its peers. While he briefly compared the Village to the State average for funding status, Mr. Sharpe proceeded to explain in detail the more fundamental issues of how generous benefits granted by the State, improper State funding of these benefits and the subsequent heavy reliance by municipalities on investment income to fund these benefits, especially during a decade which experienced two recessions. Mr. Sharpe then explained the difficulties and possibilities in recouping losses over time.

President Asperger inquired if lowering the maximum retirement age from 70 to 62 would be beneficial. Mr. Sharpe advised that adjusting that retirement assumption would have very little effect as the actuary is already heavily weighted towards the front end of the retirement range.

Trustee Horvath asked about alternative solutions and investment strategies. Mr. Sharpe responded that it will require a rebound in earnings.

Trustee Palermo inquired about current retirement age distributions and Mr. Sharpe responded.

Trustee Kuchler asked what is an appropriate investment assumption. Mr. Sharpe responded that 7.0%-7.5% would be reasonable, but deferred to the advice which the Village received from its financial advisors. Mr. Sharpe added that if investment losses continue the Village would need to compensate for those losses. Trustee Kuchler expressed concern in not meeting the minimum funding requirement.

Trustee Livingston asked how often rates of return are adjusted and Mr. Sharpe responded that the 7.5% assumption is historical; in place at least 10 years. Mr. Sharpe advised against changes in response to market conditions. Mr. Sharpe noted the four preceding years of positive returns near or above the 7.5% assumption. Trustee Livingston noted his desire to continue with good practices and that now may not be the right time to make changes.

Trustee Palermo believes that consistent contributions are desirable and asked if smoothing returns would be beneficial. Mr. Sharpe indicated that the federal

government sets limits and this method presents a false sense of value. The Village abandoned smoothing several years ago.

Trustee Kuchler does not see value in “smoothing” at this point and believes the Village should continue to make the minimum required contribution.

President Asperger thanked Mr. Sharpe and noted that staff is seeking a recommendation from the Village Board. Considerable discussion ensued between the Village Board.

Trustee Langan is not in favor of making any changes at this time and that the Village should adopt the pension levies as recommended. Trustee Langan felt that the Village should consider adjustments of how and when as part of the budget process.

Trustee Holder concurred with Trustee Langan, indicating that the Village cannot afford the additional expense at this time.

In response to comments concerning timing, Trustee Palermo reminded the Board that several years ago he recommended a change to the maximum retirement age assumption, and the Village did not adopt his recommendation at that time. He continues to stand-by his recommendation.

Trustee Kuchler indicated that he did not hear this evening that the change would be beneficial and so he was comfortable leaving it as is.

Trustee Horvath suggested the possible use of TIF surplus funds toward the unfunded liability of fire and police pensions. Trustee Horvath is also in favor of cautionary budgeting.

Trustee Langan believes in giving staff time to look at the \$75,000 expense so that the Village Board could make an informed decision.

Trustee Palermo inquired about the use of general fund revenues to supplement pensions. Finance Director Cipparrone indicated other factors need to be considered. Trustee Kuchler stated that it is not appropriate to have that discussion and to make a decision this evening to deplete reserves, cut services or raise taxes to fund the \$75,000 expense to change assumptions. Trustee Kuchler feels making the minimum contribution is the best course of action. Trustee Holder concurred.

Trustee Livingston feels the workshops have been enlightening. He is willing to look at making a change. However, he took exception to comments made which characterized the Village as not having been fiscally responsible concerning this matter.

President Asperger summarized the consensus of the Board to levy the actuary's recommended annual required contribution and to direct staff to assess if and how the Village could include as part of the upcoming budget development process, the additional \$75,000 expense to further weight the average retirement age closer to 50 years of age.

Trustee Palermo proposed that the Village consider adopting a resolution to educate State legislators of the difficulties faced by municipalities in funding pensions. President Asperger responded that the Village is working through the West Central Municipal Conference, who will be advocating changes in the pension system as a legislative priority.

### 3. ADJOURNMENT

At 10:10 p.m. it was moved by Trustee Langan to adjourn, seconded by Trustee Holder. Motion approved by voice vote.

Approved as Amended: 12/14/09