

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

Date: Monday, October 26, 2009

Time: 8:05 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, October 26, 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 8:05 p.m. by President Asperger. On roll call the following were present:

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

ABSENT: Village Clerk Milne

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

#### 2. PENSION FUND WORKSHOP

President Asperger explained that the Village Board has expressed concerns relative to the funding status of the Police and Fire Pension Funds. In order to provide a comprehensive understanding related to state pension requirements; pension fund portfolio performance; financial conditions of the pension funds; and impact on the Village's preliminary property tax levy, this workshop has evolved.

President Asperger noted that the workshop would be divided into two sessions with the second portion being held on November 9 after the regular Village Board

meeting. President Asperger requested Village Manager Robert Pilipiszyn to introduce the panel of guest speakers.

Mr. Pilipiszyn introduced Joe Mc Coy, Senior Legislative Advocate from the Illinois Municipal League; Mr. Dick Barrett, Managing Director of Investments from Wells Fargo Securities; Mr. Fred Lantz, Partner and Director of Government Services and Dan Berg, Partner from Sikich LLP and invited them to comment on the pension funds.

Mr. Mc Coy described in detail the various issues and decisions made at the State level which impact the ability of municipalities to fund their police and fire pension contributions. Mr. Mc Coy also noted how negative investment returns over the past ten years have added to funding issues. Mr. Mc Coy reviewed recent pension reform proposals and their legislative status. In summary, legislative relief from the General Assembly is necessary to address the funding status of police and fire pension funds.

Considerable discussion between the Village Board and the presenters ensued.

Trustee Palermo asked how a constitutional amendment to cut pension benefits would be implemented and Mr. Mc Coy responded that only new hires would likely be affected, resulting in a two-tiered system of pensioners.

Trustee Horvath asked if there is a solution, not being confident that the situation would resolve itself. Mr. Mc Coy agreed, stating that it will not be solved until structural problems with the pension systems are addressed. Mr. Lantz noted that the Village has been much more disciplined than the State when it comes to funding its pension obligations. As long as the Village funds its annual required contribution, its pension funds will be fully funded by 2033. Mr. Lantz also explained how generally accepted accounting principles apply to municipal pension funds.

Trustee Palermo inquired why the Illinois Municipal Fund Retirement (IMRF) is so well funded as compared to municipal pension funds. Mr. Mc Coy explained that IMRF is structured much differently; in brief, IMRF enjoys economies of scale, employer contributions are subject to garnishment if not paid, and the size of the fund creates the opportunity to participate in different investment vehicles. Messers Cipparrone and Lantz further explained that IMRF uses a rolling 30 year period which softens the impact of investment losses and that IMRF is a multi-agent fund meaning that each member community will have individualized levels of contributions. IMRF is very unique and a direct comparison cannot be drawn between IMRF and municipal pension funds.

Mr. Barrett indicated that he has advised the Village's police and fire pension funds for over 20 years, and during this period, the pension boards have been responsible and disciplined investors.

Trustee Horvath asked the panel for their opinion as to factors which have had the most impact on municipal pension funds. Messers Lantz and Berg felt that benefit increases granted by the State over time have impacted municipal pension funds the most. Mr. Mc Coy identified unfunded State mandates and tax caps. Mr. Barrett indicated that as long as the markets come back, he is not concerned about investment losses either in the short term or long term; equities have shown to be the best protection against inflation.

Mr. Lantz commended the Village for its diligence in funding its pension obligations. He added that the Village's actuarial assumptions were generally reasonable. In his opinion, the State's closed loop amortization period is what is strangling pension funds.

Trustee Kuchler inquired as to the consequences if the Village did not make the minimal annual required contribution. Mr. Lantz responded that from an accounting perspective the entry would be noted in the audit.

Trustee Palermo asked if the Village should require an experience study every five years. Mr. Lantz stated that such a study is performed with each full actuarial analysis. Trustee Palermo questioned the current maximum retirement age assumption. Mr. Cipparrone responded that the proposed adjustment from 70 years of age to 62 years of age would not improve funding status, and would have a significant cost impact to the Village by approximately an additional \$75,000 per year.

Trustee Livingston expressed appreciation to the guest speakers for the information provided and asked if the Village should be aware of other external factors going into its budget development process. Mr. Mc Coy suggested that the Village should pay close attention to the legislative session next Spring when the State is expected to complete the balancing of its budget.

President Asperger thanked the panel for sharing their expertise and insights with the Village Board and stated that the next meeting on November 9 will include actuarial information.

### 3. ADJOURNMENT

At 9:40 p.m. it was moved by Trustee Palermo to adjourn, seconded by Trustee Livingston. Motion approved by voice vote.

Approved: 11/09/09