

**MINUTES OF A COMMITTEE OF THE WHOLE MEETING
OSWEGO VILLAGE PRESIDENT AND BOARD OF TRUSTEES
OSWEGO VILLAGE HALL
100 PARKERS MILL, OSWEGO, ILLINOIS
September 15, 2020**

CALL TO ORDER

President Troy Parlier called the meeting to order at 6:01 p.m.

ROLL CALL

Board Members Physically Present: President Troy Parlier and Trustees James Marter II, Terry Olson, Pam Parr, Judy Sollinger and Brian Thomas.

Board Members Absent: Trustee Luis Perez

Staff Physically Present: Dan Di Santo, Village Administrator; Christina Burns, Asst. Village Administrator/HR Director; Tina Touchette, Village Clerk; Kevin Norwood, Deputy Chief; Mark Horton, Finance Director; and Rod Zenner, Community Development Director; Jennifer Hughes, Public Works Director; Susan Quasney, Project Engineer; Jenette Sturges, Community Engagement Coordinator- Marketing; Joe Renzetti, IT/GIS Director; Karl Ottosen, Village Attorney; and Ryan Morton, Village Attorney.

PUBLIC FORUM

Public Forum was opened at 6:01 p.m. There was no one who requested to speak; the Public Forum was closed at 6:10 p.m.

OLD BUSINESS

There was no old business.

NEW BUSINESS

G.1 Review the Police Pension Fund Actuarial Valuation as of May 1, 2020

Director Horton addressed the Board regarding the Police Pension Fund. Todd Schroeder, from Lauterbach & Amen, presented the report.

Contribution Recommendation & Funded Percentage

Current Year Contribution Recommendation	\$1,783,000
Prior Year Contribution Recommendation	\$1,543,000
Current Year Funded Percentage (Actuarial Value of Assets)	73.10%
Prior Year Funded Percentage (Actuarial Value of Assets)	74.33%
Current Year Unfunded Actuarial Liability	\$12,700,000
Prior Year Unfunded Actuarial Liability	\$11,040,000

- Increase of 15% year over year
- 74.33% is higher than average in Illinois

Expected Benefit Payments

Active Member Count	49
Inactive Member Count	16
Current Benefit Payments	\$1,012,000
Expected Benefit Payments in 5 Years	\$1,721,000
Expected Benefit Payments in 10 Years	\$2,785,000

- Numbers will be 50/50 mix when reaching maturity
- 49 active members as of April 30, 2020
- At ten-year mark; 80% increase

Risk Management

- The ratio of benefit payments to the Market Value of Assets is 3.01%; compared to an Expected Rate of Return on Investments of 6.50%
- Based on the number of active members in the plan, there is a moderate demographic risk

Assumption Changes

As part of a comprehensive study of Police Pension Funds in Illinois, the following actuarial assumptions were changed in the current valuation:

- Inflation Rate (CPI-U)
- Individual Pay Increases
- Retirement Rates
- Termination Rates
- Disability Rates
- Mortality Rates
- Mortality Improvement Rates
- Marital Assumptions

We have updated the marital assumption for retiree & disabled Members to utilize actual spousal data.

Plan Changes

- In the current valuation, the plan provisions were updated to reflect benefit changes under PA-101-0610 (SB1300), which went into effect on January 1, 2020.
- Legislative changes reflect modifications to Tier II plan provisions for:
 - Pensionable salary cap
 - Final average salary
 - Survivor benefit initial calculations

Change in Contribution

Expected Changes	\$50,100
Salary Increase Greater/(Less) than Expected	\$4,100
Demographic Changes	\$38,400
Assumption Changes	\$14,200
Plan Changes	\$95,400
Asset Return (Greater)/Less than Expected	\$28,100
Contributions (Greater)/Less than Expected	\$10,000
Increase/(Decrease) in Recommended Contribution	\$240,000

- Demographic changes due to fluctuation with retirements
- Asset return- investment on rolling five-year basis
- \$240,000 is the total increase

Change in Market Value of Assets

Beginning Market Value of Assets	\$31,950,000
Employer Contributions	\$1,400,000
Member Contributions	\$466,000
Return on Investments*	\$801,000
Benefits and Refunds	(\$1,016,000)
Other Expenses	(\$29,800)
Ending Market Value of Assets	\$33,570,000
Change in Market Value	\$1,620,000

- *The rate of return on investments on a market value of assets basis was approximately 2.38% net of administrative expense

Illinois Statutory Minimum Contribution

Statutory Minimum Contribution	\$1,370,000
Statutory Minimum Funded Percentage (Actuarial Value of Assets)	78.94%
Unfunded Actuarial Liability	\$9,205,000

- 78.94% satisfies State statute
- By year 2040, need to be 90% funded

Five-Year Employer Contribution History

Fiscal Year End	Employer Contribution	Actuarially Determined Contribution (ADC)	% of ADC
4/30/2020	\$1,400,001	\$1,398,759	100.09%
4/30/2019	\$1,400,000	\$1,342,897	104.25%
4/30/2018	\$1,430,544	\$1,392,423	102.74%
4/30/2017	\$1,550,011	\$1,465,094	105.80%
4/30/2016	\$1,250,000	\$1,182,911	105.67%
5 - Year Average			103.71%

Board and staff discussion focused on why the benefit payment increased; current retirees and projecting future retirement; inactive members are those who have quit or retired; client base; funding percentage; State statute; market as of April 30, 2020 and what the market is today; report only covers one month; does not account for last 4 ½ months; contribution paid in May from the property taxes; can change the date the contribution is made if we use another fund or revenue stream; pension fund paid within 30-60 days from receipt of money from the County; once money is in the pension trust, it can only be used for pension; funding more; can do a one-time deposit into the trust; it would be calculated in the reporting. There was no further discussion.

G.2 Review the Postretirement Health Plan Valuation for the Fiscal Year Ending April 30, 2020

Actuaries from Lauterbach & Amen will present the Village of Oswego Postretirement Health Plan actuarial valuation for the fiscal year ending April 30, 2020. The total OPEB liability has grown to \$2,026,677 due to an increase this past year of \$403,337. The Village has not set up a separate Trust Fund to accumulate funds to offset this liability preferring to contribute the annual cost and associated expense from current resources. Some governmental agencies set up separate Trust Funds like the Village of Oswego Police Pension Fund to accumulate the funding to account for the benefits accruing annually and to pay out the benefits.

Todd Schroeder, from Lauterbach & Amen, presented the report.

STATEMENT OF TOTAL OPEB LIABILITY

	4/30/2019	4/30/2020
Total Active Employees	\$ 827,644	\$ 1,126,419
Inactive Employees Currently Receiving Benefit Payments	795,696	900,258
Inactive Employees Entitled To But Not Yet Receiving Benefit Payments	-	-
Total Inactive Employees	795,696	900,258
Total OPEB Liability	\$ 1,623,340	\$ 2,026,677

The Total OPEB Liability shown is dependent on several factors such as Plan Provisions and assumptions used in the report. In addition, the calculation of the Total OPEB Liability may be dependent on the OPEB Plan Net Position shown on the prior page. Changes in the OPEB Plan Net Position due to any factor, including adjustment on final audit, could change the Total OPEB Liability. The dependence of the Total OPEB Liability on the Net Position is due to the role of the Net Position (and projected Net Position) on the determination of the discount rate used for the Total OPEB Liability.

The Total OPEB Liability has been determined for GASB 74/75 reporting purposes only. The resulting Total OPEB Liability is intended to be used in the financial statement reporting of the postretirement plan and/or the Employer. The resulting liability is not intended to be a representation of the postretirement plan liability for other purposes, including but not limited to determination of cash funding requirements and recommendations, if applicable.

Significant Actuarial Assumptions

Plan Participation Rate Of the employees that will elect coverage at retirement, as noted above, it is assumed they will elect coverage in the available medical plans at the following rates:

	IMRF	Police
PPO #1	15%	15%
PPO #2	0%	0%
HMO	85%	85%
H.S.A.	0%	0%

Retiree Lapse Rates Retirees receiving medical coverage are expected to lapse all coverages at age 65 at the following rates:

IMRF	80%
Police	80%

Retirement Rates IMRF 2017 for IMRF Employees.

100% of the L&A Assumption Study Cap Age 65 for Police 2020. Sample Rates as Follows:

Age	Rate	Age	Rate
50	0.110	53	0.127
51	0.116	54	0.134
52	0.121	55	0.140

Termination Rates IMRF 2017 for IMRF Employees.

100% of the L&A Assumption Study for Police 2020. Sample Rates as Follows:

Age	Rate	Age	Rate
25	0.080	40	0.022
30	0.034	45	0.016
35	0.028	50	0.005

Board and staff discussion focused on very specific rules for this program; required to capture liability; medical costs increase 4% each year; have to show as liability in financial statements; government accounting standard; not required to fund a retirement medical program; 98-99% of communities are not funding; interest rate is 2.56%; can open a trust; if interested in funding, Lauterbach & Amen has a checklist; downsides include: another cash cost, funding without drawing benefits, need to build up trust and double costs for a period of time; liability driven by retirees and individuals; whether there is a transition plan; parameters of medical plans vary; most don't offer beyond Medicare; it stops at age 65. There was no further discussion.

G.3 Requesting Village Board Priorities for the Fiscal Year 2022 Village Budget

Director Horton addressed the Board regarding Board priorities. The Village adopts a budget for each fiscal year. Staff begins the process of preparing the budget in the fall each calendar year. Staff is looking for Village Board input on what should be included in the annual budget. Village Board members are encouraged to provide ideas or programs and get those to Administrator Di Santo or Director Horton. Receiving the information now will allow staff to include the costs within the respective budgets. There was no further discussion.

CLOSED SESSION

A motion was made by Trustee Sollinger and seconded by Trustee Olson to enter into Closed Session for the purposes of discussing the following:

- Pending and Probable Litigation [5 ILCS 120/2(c)(11)]
- Appointment, Employment, Compensation, Discipline, Performance, or Dismissal of Personnel [5 ILCS 120/2(c)(1)]
- Collective Bargaining, Collective Negotiating Matters, Deliberations Concerning Salary Schedules [5 ILCS 120/2(c)(2)]
- Sale, Lease, and/or Acquisition of Property [5 ILCS 120/2(c)(5) & (6)]

Aye: James Marter II
Pam Parr
Brian Thomas

Terry Olson
Judy Sollinger

Nay: None

Absent: Luis Perez

The motion was declared carried by a roll call vote with five (5) aye votes and zero (0) nay votes.

The Board adjourned to Closed Session at 6:36 p.m.

The Board returned to open session at 6:51 p.m., all remaining members still present.

ADJOURNMENT

The meeting adjourned at 6:51 p.m.

Tina Touchette
Village Clerk