

**MINUTES OF THE
COMMITTEE OF THE WHOLE MEETING
VILLAGE OF NORTHFIELD
TUESDAY, September 21, 2021**

The Committee of the Whole meeting was called to order by Village President Greg Lungmus on Tuesday, September 21, 2021, at 5:30 p.m. Village Clerk Stacy Sigman called the roll as follows:

Committee Members Present:	Absent:
Trustee Todd Fowler	
Trustee Barnaby Dinges	
Trustee Tom Whittaker	
Trustee Matt Galin	
Trustee Tracey Mendrek	
Trustee Charles Orth	

President Greg Lungmus

Others Present:
Village Attorney Everette Hill

Approval of the August 17, 2021 Report of Proceedings

Trustee Whittaker made a motion, seconded by Trustee Fowler to approve the August 17, 2021 Report of Proceedings. Approval was unanimous.

Review and discussion of the Police Pension Actuarial Report – Lauterbach & Amen for the year ending April 30, 2021

Finance Director Noble noted that this was Lauterbach & Amen’s 6th year providing actuarial services for the Village.

Kevin Cavanaugh from Lauterbach & Amen (L&A) was present at the Committee of the Whole to review the draft Police Pension Actuarial report (see attached.) The highlights from the FY 2020-21 Police Pension Fund Actuarial Valuation were as follows:

- Return on investment of 25.16%, for the year, was well above the Village’s assumed 6.75% rate of return;
- The total market value of assets increased by \$5 million;
- The percentage funded on an actuarial basis increased from 59.64% to 61.59%;
- The unfunded liability remained at \$14.1 million;
- There were no disability claims or deaths;
- There were no new members and no contribution refunds for terminated non-vested members;
- Salary increases were less than expected with half of all active members receiving an increase of 2.5% or less.

- The recommended contribution increased by \$60,183 from the prior valuation.

FY 2021-22 Recommended Contribution

This year, there were no significant actuarial assumption changes. Five years ago, the actuary utilized updated mortality, disability, turnover, and retirement tables based on a comprehensive study of police pension funds in Illinois as well as the experience of the Northfield Police Pension Fund. As a result of the updated tables, the Village's annual contribution increased significantly. For this fiscal year, the actuary determined that the Village's contribution will increase from \$1,390,445.00 to \$1,450,628.00, up 4.3%. Unfortunately, the FY2021-22 Budget only provided for \$1,390,445.00, as the previous Finance Director did not include any increases and kept the Village's contribution level the same as the prior fiscal year.

Minimum Contribution

Pension reform legislation was passed in 2011, including reduced benefits for newly hired police officers, a new actuarial method to amortize the accrued liability, a new 30-year amortization period, a new funding target of 90% by 2040, and a phased-in five-year "smoothing" of plan asset values. Although this provided the Village the ability to greatly reduce its contribution, the Village chose to continue to follow more conservative actuarial methods and maintain a 100% funding target, to help strengthen the pension fund.

Pages 24-26 of the report showed what our contribution would be if we followed the standards in the State's 2011 pension legislation. Under this method, the levy would be \$1,155,661.00. Although this method reduced costs in the early years, it resulted in much higher costs in later years. For this reason, the Village has not embraced this option. In addition, if the Village followed this approach, two actuarial reports would be needed – one to determine the Village's contribution and another for use in our financial statements. Incorporating this method would also result in significant future increases in the Village's pension obligations and a conspicuous disclosure in the Village's annual report.

On the horizon is the consolidation of all downstate (non-Chicago) Police and Fire Pension Plans. Local pension boards will relinquish investment authority for the management of their pension assets and will no longer have fiduciary responsibility once the assets are transferred to the consolidated fund. The legislation requires all pension fund assets to be transferred to the new fund by July 1, 2022. However, this legislation has recently been challenged in court, and until the case is decided, no action appears to be taking place to effect this consolidation. If/when consolidation does move ahead, a local pension board will still be needed to rule on disabilities, disability benefits, retirement benefits, and survivor benefits.

Trustee Fowler commented that while Police Pension being funded at 61.59% might be good by Illinois standards, on a national level an 80-85% funding rate was more stable with 100% being the ideal. He stated that if the opportunity arises to contribute more than 4.3%, it would not be a bad thing given the challenges and volatility of the market.

The Board agreed that contributing more would be prudent but the Village was doing all that it could at this time with the fiscal year's budgeted numbers. This will be assessed in next year's

budget process while also taking into account the unknowns of the consolidated downstate pension plans coming in the future.

Staff recommended accepting the L&A report and utilizing the same approach as prior years. This method provided funding over the minimum State requirements and met the Board's goal of continuing to strengthen the financial position of the Police Pension Fund.

Review and discussion of the draft FY2020/2021 Comprehensive Annual Financial Report – Baker Tilly for the fiscal year ending April 30, 2021

Finance Director Noble complimented the Baker Tilly (BT) audit staff for their thorough analysis and asking tough questions. This was BT's first year as the Village's auditor and the process went smoothly. Staff believed this year's report met the strict requirements of the GFOA Certificate of Achievement for Excellence in Financial Reporting program and will be submitting the final report for their consideration. The Village first received this award in 2007 and has maintained it ever since. He noted that in the General Fund the Village experienced an almost \$192,000 deficit, but given the pandemic this was better than the anticipated model forecast of a \$1,200,000 deficit. For the fiscal year ending April 30, 2021, the Village's General Fund had an unassigned fund balance of \$6.5 million which represented about seven months of operating expenses.

Joseph Lightcap from BT was present to review the Village's audit report for the fiscal year ending April 30, 2021. BT provided an unqualified opinion on the Village's financial statements. Mr. Lightcap reviewed the Village's basic financial statements. As part of the audit process, BT was required to communicate to the Board and management certain items related to the audit process and their findings. BT submitted this in a document entitled "Reporting and insights from the 2021 audit..." which communicated both BT's as well as the Village's responsibilities related to the audit process. Each document was issued in "draft" form to encourage discussion. The Board was asked to review the documents and provide any feedback or concerns at the meeting so that BT could incorporate them into the final communication letters. Once finalized, the final report will be forwarded to the Board, included on the Village's website, and a copy made available to the public library.

Adjourn to Closed Session

Trustee Orth made a motion, seconded by Trustee Fowler to adjourn to Closed Session to approve Closed Session meeting minutes from the January 19, 2021 Village Board Closed Session meeting pursuant to 5 ILCS 120/2(c)(21) and to discuss the audit internal controls and fraud risks pursuant to 5 ILCS 120/2(c)(16). Staff was not part of the Closed Session but the Village Attorney and Auditor were present to review details and to answer any questions the Board had on fraud prevention and detection.

Village Clerk Stacy Sigman called the roll as follows:

- Trustee Todd Fowler
- Trustee Barnaby Dinges
- Trustee Tom Whittaker
- Trustee Matt Galin
- Trustee Tracey Mendrek

Trustee Charles Orth

President Greg Lungmus

Upon completion of the Closed Session, President Lungmus re-opened the regular meeting session and asked for a motion to adjourn.

Trustee Fowler made a motion, seconded by Trustee Orth to return to Open Session.

Other Business

Public Comment

Trustee Whittaker made a motion, seconded by Trustee Galin to adjourn the meeting.

AYES:	Fowler	NAYS: 0	ABSTAIN: 0	ABSENT:
	Dinges			
	Whittaker			
	Galin			
	Mendrek			
	Orth			

The meeting adjourned at 6:52 P.M.