

APPROVED  
Finance Committee Meeting Minutes

September 27, 2010

Called to Order – 7:05 pm

Present – President Pope, Trustee Hale, Trustee Hedges

Also Present - CFO Lesner, Village Manager Barwin, Marty Stempniak, Karen Schwartz

CFO Lesner and Village Manager Barwin presented updated budget overview.

Moved by Hedges, seconded by Hale, to Approve Minutes of 9/14/2010. All ayes.

Village Manager Barwin introduced budget overview report noting draft budget prepared using a projected Health Care increases of 5%, IMRF pension contribution increases from 10.8 % to 11.8 % for non public safety employees, previously agreed upon contract adjustments, no increase of operating levy with stop/loss, with overall levy a bit up as a result of debt being down shortly, but up for police/fire pension obligations.

CFO Lesner and Village Manager responded to Board questions regarding wage scenarios for 2011, projected year end fund balances, and rise in expenses in projected 2011 overview.

CFO Lesner to review and verify expense projections and will provide a weekend report on cost noteworthy increase items which include pension increases, fire retro pay, and other projected expenses.

Current 2010 year end projections are anticipated to add \$550,000 to undesignated fund balance using a conservative approach, therefore increasing fund balance at FYE 2010 to \$2.2 million.

Current 2011 budget would require using \$1.69 million of fund balance to balance 2011 budget.

Finance Committee members Pope and Hedges expressed concerns with adopting a deficit budget (annual expenses above annual revenues).

Village Manager Barwin advised staff has been cut significantly over past 3 years/70 positions but will review options to reduce 2011 expenses looking at, for example, not filling 4 vacant PEO options, and deferring restoration of deputy chief position and other possible savings.

Trustee Hedges expressed concern over cuts beginning to impact services. Trustee Hale conveyed had not heard similar feedback although some on crossing guards, which may be an example staff may explore in other areas for cost savings through outsourcing. Village Manager Barwin provided report on public safety pension costs as percent of police and fire payroll at which time President Pope invited representatives from Police and Fire Pension Boards to discuss public safety pension funding and actuarial assumptions which guide pension funding levels.

The following persons joined the meeting.

Tony Ambrose, Police Pension  
Tom McShane, Graystone Consulting  
Carolyn Clifford, Fire Pension Attorney  
Greg Leonberger, Marquette Associates  
Tim Hamann, Marquette Associates  
Scott Bartelt, Fire Pension President  
Jerry Cote, Fire Pension Vice President  
David Pope, President, VOP & Trustee Fire Pension Board  
Jon Hale, Trustee VOP  
Greg Peters  
Sharon Patchak Layman

Firefighters Pension Board meeting called to order at 7:55 pm.

Marquette Associates representatives Tim Hamann and Greg Leonberger reviewed August and September Oak Park Firefighters Pension Fund Asset Allocation Reports including investment options, risk, and averages for hitting targets for return on investments.

Finance Committee discussed several aspects of fund and assumptions. Village Manager Barwin expressed concern with firefighter pension contributions approaching 50% of payroll and police at 40% of payroll as being unsustainable from a budget and taxpayer perspective and asked if pension representatives felt need to reform to save pension systems.

Fire Pension Attorney Carolyn Clifford stated state constitution requires these plans must be fully funded under current state constitution and law by 2033 (new extensions under consideration in Springfield) and changes would have to be made for new employees. Issues with systems are currently underway in Minnesota and Colorado and being watched closely by Pension funds.

Pension Board Rep George Lazewski provided information on costs of previous early retirements and other previous decisions which have driven costs of pensions upward, and interest earnings assumptions should be considered for lowering based on most recent 5 year period and down stock market of last ten years.

After considerable dialogue and discussion, including impact of charges (16 basis points) for managing Firefighters pension fund, and long term versus short term averaging, finance committee consensus to accept 7.5% annual interest earnings.

Pension Representatives Tony Ambrose and Tom McShane reported Police Pension OK with 7.5% annual interest earnings assumptions with similar portfolio management costs taken from police earnings.

President Pope raised second major pension funding actuarial issue which is annual payroll increase assumptions which go into actuarial calculations have been assumed at 5.5%.

Agreement Fire Payroll has to be adjusted by 18% for retro contract adjustments dating back to Jan. 1, 2005 contract.

After some discussion finance committee and pension fund representative consensus was CPI wage adjustments are more realistic and accurate historically and looking forward, consensus was to look into CPI wage assumptions rather than 5.5% which would typically be closer to 2.5% to 3%.

CFO Lesner to communicate with Tim Sharpe, Village Pension Fund Actuary.

Fire Pension Board and Finance Committee adjourned at 9:20 pm.