

**VILLAGE OF SOUTH BARRINGTON  
MINUTES OF THE FINANCE COMMITTEE MEETING  
OCTOBER 1, 2018  
2:00 PM**

**CALL TO ORDER**

The meeting was called to order at 2:02 pm by Committee Chairman Stagno.

**ROLL CALL**

Members Present: Committee Chairman Stagno, Trustee Joseph Abbate and Trustee Bernard Kerman.

Members Absent: None.

Others present: Mayor Paula McCombie, Treasurer Michelle Bodie, Administrator Bob Palmer, Todd Schroeder and Kevin Cavanaugh of Lauterbach & Amen.

**PUBLIC COMMENT**

No public present for comment.

**APPROVAL OF MINUTES**

Trustee Abbate made a Motion to approve the Minutes of September 10, 2018. Trustee Kerman seconded the motion. By unanimous voice vote, the Motion passed.

**AGENDA ITEMS**

1. Presentation by Todd Schroeder and Kevin Cavanaugh, Lauterbach & Amen, Regarding Layered Amortization of Unfunded Pension Liabilities

Treasurer Bodie introduced Todd Schroeder and Kevin Cavanaugh with Lauterbach & Amen, LLP. Schroeder proceeded to review the Draft South Barrington Police Pension Fund Report. Schroeder highlighted that the recommendation for the levy this year was \$863,357, which was an increase of \$36,064 from the prior year or a 4.4% increase. Mayor McCombie questioned the increase noting that the Village had made an additional contribution to the Police Pension Fund of \$400,000 and yet the levy is increasing as opposed to a decrease or break-even. Cavanaugh explained that the \$400,000 infusion had reduced what would have been recommended by \$42,000. Chairman Stagno posed the philosophical question relating to contributing now for the benefit of future taxpayers vs. the obligation to current taxpayers. Schroeder commented that creating a reserve fund as opposed to making the contribution would not be a bad idea. Mayor McCombie disagreed on the advantage. The committee then entered into a general discussion regarding the cost to the Pension Fund of a new Police Officer and how full funding should work. On the opposite view, underfunding can occur naturally with retirees living longer. Chairman Stagno noted the differences in mortality tables and how politics have influenced and supported making smaller contributions, resulting in underfunding. Trustee Kerman asked about the longevity tables and what communities are included. For example is Chicago included with South Barrington? Schroeder explained that Chicago is not included with South Barrington and that a large number of communities are looked at together and averaged out. There is then a step

increase community by community. Schroeder continued his comments regarding how mortality tables are put together. New tables are being studied currently and should be out nationwide this winter. Treasurer Bodie mentioned the requirements to be 100% funded by 2033 which is being changed to 90% by 2040. Cavanaugh noted the fund is underfunded by \$7.2 million, goal is to pay off over the next 15 years, however under 15 years creates more volatility for the fund. IMRF for example uses the rolling policy of amortization – 90% funded or higher may make sense under a rolling amortization scenario. Layered amortization can be an effective method for managing volatility. Trustee Kerman noted that being fully funded cannot be achieved. Treasurer Bodie noted that the layered approach would cost an additional \$15,000. Cavanaugh reviewed the transition to Layered Amortization over a 15 year period. Schroeder noted again the volatility management aspect of paying off by 2030, anything new would have its own schedule. Bodie asked about the benchmark set for the fund of 6.25%. Schroeder stated that was at the low end of the spectrum. Cavanaugh added that the statewide average is 5.2%. Schroeder said that top returns have been in the 7-7.5% range with funds over \$10 million slightly higher. Some funds have been at 9-10%. Chairman Stagno commented that the Village goal is 6.25% but the earnings have been 4.7%. Schroeder recommended considering the layered approach. The Committee thanked Schroeder and Cavanaugh for their presentation. Schroeder and Cavanaugh then left the meeting at 3:03 PM.

The Committee then briefly reviewed the comments from the presentation and briefly discussed the layered approach. Chairman Stagno expressed concern over the lack of earnings. Treasurer Bodie noted that due to the size of the Pension Fund it has only been recently that the fund could invest in stocks. Bodie also noted that the last quarter had good returns, close to 6%. Mayor McCombie noted that with the fund over \$10 million now, it would be more favorable to hold any additional contributions.

## **STAFF REPORTS**

### Mayor

No report.

### Village Administrator

Palmer reported that he recently attended the IML Conference and the ICMA conference where he picked up an award for the Village from SolSmart for promoting solar energy. Palmer also reported that the Village has selected a candidate for the AmeriCorp position in conjunction with the Mayors Caucus.

### Finance Officer

Bodie noted that Chairman Stagno would not be at the next meeting due to his travel schedule.

## **OLD BUSINESS**

No old business.

## **NEW BUSINESS**

No new business.

**ADJOURNMENT**

Having no further business, Chairman Stagno asked for a Motion from the Committee to adjourn the meeting. Trustee Kerman made a motion to adjourn the meeting. Trustee Abbate seconded the motion. By unanimous voice vote, the motion passed, and the meeting was adjourned at 3:19 PM.

Respectfully submitted by,

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Bob Palmer  
Village Administrator

These Minutes were approved this

\_\_\_\_\_ day of \_\_\_\_\_, 2018