Agenda
Village of Glen Ellyn
Special Workshop Meeting
Monday, October 22, 2018
6:30 PM
Glen Ellyn Civic Center, Room 301

Village Board Workshop Procedures Statement

Visitors are most welcome to attend all meetings of the Village Board and can find copies of the Agenda on their chairs or online at www.glenellyn.org prior to the meeting. Any individual with a disability requiring a reasonable accommodation in order to participate in a meeting should contact the Village of Glen Ellyn ADA Coordinator, 630-469-5000, at least five (5) business days in advance of the next scheduled meeting. All matters on the Agenda may be discussed, amended, and acted upon.

A. Call to Order

B. Pledge of Allegiance

C. Roll Call

D. Audience Participation

1. Open:

   Members of the public are welcome to speak to any item not specifically listed on tonight's agenda for up to (3) three minutes. For those items which are on tonight's agenda, the public will have the opportunity to comment at the time the item is discussed. In either case, please complete the Audience Participation form and turn it in to the Village Clerk. It is requested that, if possible, one spokesman for a group be appointed to present the views of the entire group. Speakers who are recognized are requested to step to a microphone and state their name, their topic and the group, if any, they are representing prior to addressing the Village Board. Individuals wishing to address the Board shall exercise proper decorum and respect for the proceedings and the business of the Village Board, and shall refrain from abusive demeanor and language. The practice of ceding time to other speakers shall be prohibited, except in the discretion of the presiding officer of the meeting. Public officials are not obligated to respond to questions.

E. Police Pension Fund (Finance Director Coyle) (Discussion Only)

1. Finance Director Christina Coyle and Actuary Jason Franken from Foster & Foster will present recommendations for the funding model for the Glen Ellyn Police Pension Fund.

F. Bond Updates (Finance Director Coyle) (Discussion Only)

1. Finance Director Coyle will brief the Village Board on the schedule for the upcoming bond issuance.

G. Other Items

H. Adjournment

Glen Ellyn Village Board
535 Duane Street
Glen Ellyn, IL 60137

Meeting: 10/22/18 06:30 PM
Department: Finance
Department Head: Christina Coyle
Category: Policy
Prepared By: Christina Coyle

SCHEDULED

AGENDA ITEM (ID # 3625) DOC ID: 3625

Finance Director Christina Coyle and Actuary Jason Franken from Foster & Foster will present recommendations for the funding model for the Glen Ellyn Police Pension Fund.

Background:
Over the past few years, the funding model for the Glen Ellyn Police Pension Fund has been reviewed by the Finance Commission, Police Pension Board, and Village Board. The focus has been mostly centered on the investment return assumption which was lowered to its current 6.5% over the course of several years.

Subject:
Another important decision in the funding model for the Police Pension Fund is the amortization model. The amortization period determines how the Village will pay down the unfunded liability for the Pension Fund. The current model is a closed model which requires 100% funding by 2040. The 2040 date is an arbitrary date set by the State of Illinois. It is not based upon any actuarial study or method. Funding to this arbitrary date creates a skyrocketing Village contribution as the Village moves towards 2040. It also creates negative amortization, in that current payments are not large enough to pay the interest on the unfunded liability, let alone pay down principal. Think of this as not even paying the interest payment on your mortgage, let alone principal.

Based upon guidance from our actuary and review by the Finance Commission and Police Pension Board, staff is recommending transitioning to a 15 year open amortization model. Under this model, it is true that the Village will never actually achieve 100% funding. Although, in reality the 2040 model would never achieve 100% funding either. The benefits of the 15 year open model move the Village towards a more realistic, methodical, and consistent funding of the Police Pension.

Attached to this agenda item is a study prepared by Foster and Foster. Page 5 compares the 15 year open model to the baseline (2040) model. The 15 year model shows increasing contributions, but then contributions decrease, in comparison to the current (baseline) model which shows contributions which continue to increase. This projection in this analysis goes until 2029 in what is shown, but you would need to project out to 2040 to see the full comparison between the two models.

Jason Franken, our actuary from Foster & Foster, will be present at the meeting to explain the model to the Board and answer any questions the Board may have.

Finance Commission and Police Pension Board Recommendations:
The Finance Commission and Police Pension Board both reviewed this proposed model. Both groups recommended this 15 year open model. The Finance Commission recommended transitioning into the model over time due to the short term increase in contributions. The Police Pension Board did not specify a gradual versus immediate implementation.

Budget Impact:

The current 2019 budget was prepared recommending that the Village transition into the 15 year open model by keeping the contribution to the Police Pension Fund flat at $1.959 million. Under the 2040 model, the contribution for 2019 would be $1.771 million.

Other

The Board also requested that staff present information regarding having a separate levy for the Police Pension Fund. Staff took this information to the Finance Commission at its October 12, 2018 meeting. The packet can be found on the Village's agenda website, should the Board wish to review it. The Finance Commission reviewed the information and discussed it at length and is not ready to make a recommendation. We will continue to evaluate this issue with the Finance Commission and bring a recommendation to the Village Board. Staff believes that if we do make a change to the levy structure, it is best to do it next year to allow for ample time for communication and feedback from residents.

Action Requested:

Staff requests feedback from the Village Board on changing the funding model to a 15 year open amortization period.

ATTACHMENTS:

- Projection and Assumption Changes - Glen Ellyn Police - 2018 09 11 (PDF)

Glen Ellyn Police Pension Plan

Projection of Amortization Impact and Assumption Change Impact

September 11, 2018

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

FOSTER & FOSTER
ACTUARIES AND CONSULTANTS

September 11, 2018

Ms. Christina Coyle
Finance Director
Village of Glen Ellyn
535 Duane St.
Glen Ellyn, IL 60137

Dear Ms. Coyle:

This report, prepared by Foster & Foster, Inc., outlines:

(1) the impact of updating the amortization of the unfunded liability to ultimately arrive at a 15-year rolling amortization schedule; and,
(2) the impact of various assumption changes, illustrated on the 2018 results.

This report has been prepared as requested by the Village of Glen Ellyn for assisting in making decisions about future financing of the pension. This report is the property of the Village of Glen Ellyn and may only be used for its intended purpose.

This analysis has been conducted in accordance with generally accepted actuarial principles and practices, including the applicable Actuarial Standards of Practice as issued by the Actuarial Standards Board, and reflects laws and regulations issued to date pursuant to the provisions of Article 3, Illinois Pension Code, as well as applicable federal laws and regulations. In our opinion, the assumptions used in this valuation, as adopted by the Board of Trustees, represent reasonable expectations of anticipated plan experience. Future actuarial measurements may differ significantly from the current measurements presented in this report for a variety of reasons including: changes in applicable laws, changes in plan provisions, changes in assumptions, or plan experience differing from expectations.

In conducting this study, we have relied on personnel, plan design, and asset information supplied by the Board, financial reports prepared by the custodian bank and the actuarial assumptions and methods described in the Actuarial Assumptions section of this report. While we cannot verify the accuracy of all this information, the supplied information was reviewed for consistency and reasonableness. As a result of this review, we have no reason to doubt the substantial accuracy of the information and believe that it has produced appropriate results. This information, along with any adjustments or modifications, is summarized in various sections of this report.

The undersigned is a member of the American Academy of Actuaries and meets the Qualification Standards of the American Academy of Actuaries to render the actuarial opinion herein. To the best of my knowledge, the information supplied in this study is complete and accurate. In my opinion, the projections are based on reasonable actuarial estimates, assumptions and methods that offer my best estimate of anticipated experience under the Plan.

We look forward to discussing the results with you.

Regards,

Jason L. Franken, FSA, EA, MAAA

Enrollment Number: 17-06888
Foster & Foster, Inc.

Projection of Amortization Schedule Change

To illustrate the impact of a change to the amortization of the unfunded actuarial accrued liability, we have assembled three scenarios for comparison:

1. Baseline: This is the “status quo” scenario.

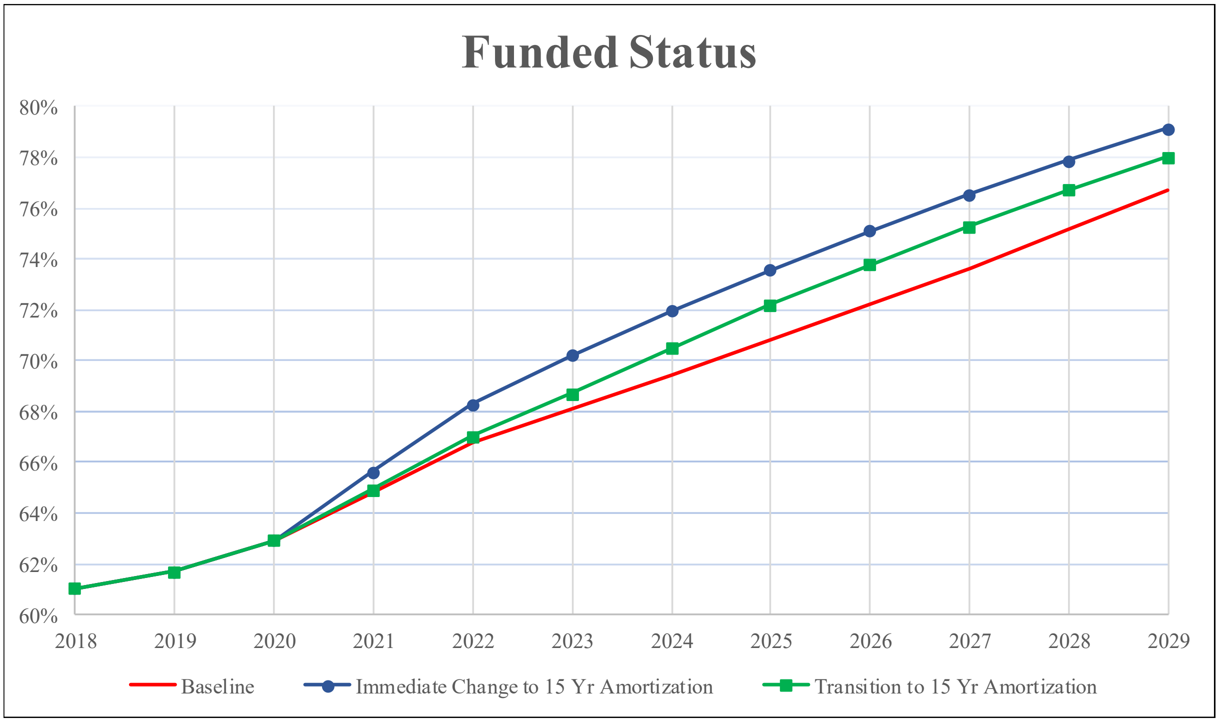
2. Immediate Change to 15 Year Amortization: In this scenario, we immediately jump to the 15-year rolling amortization schedule in the 2019 valuation.

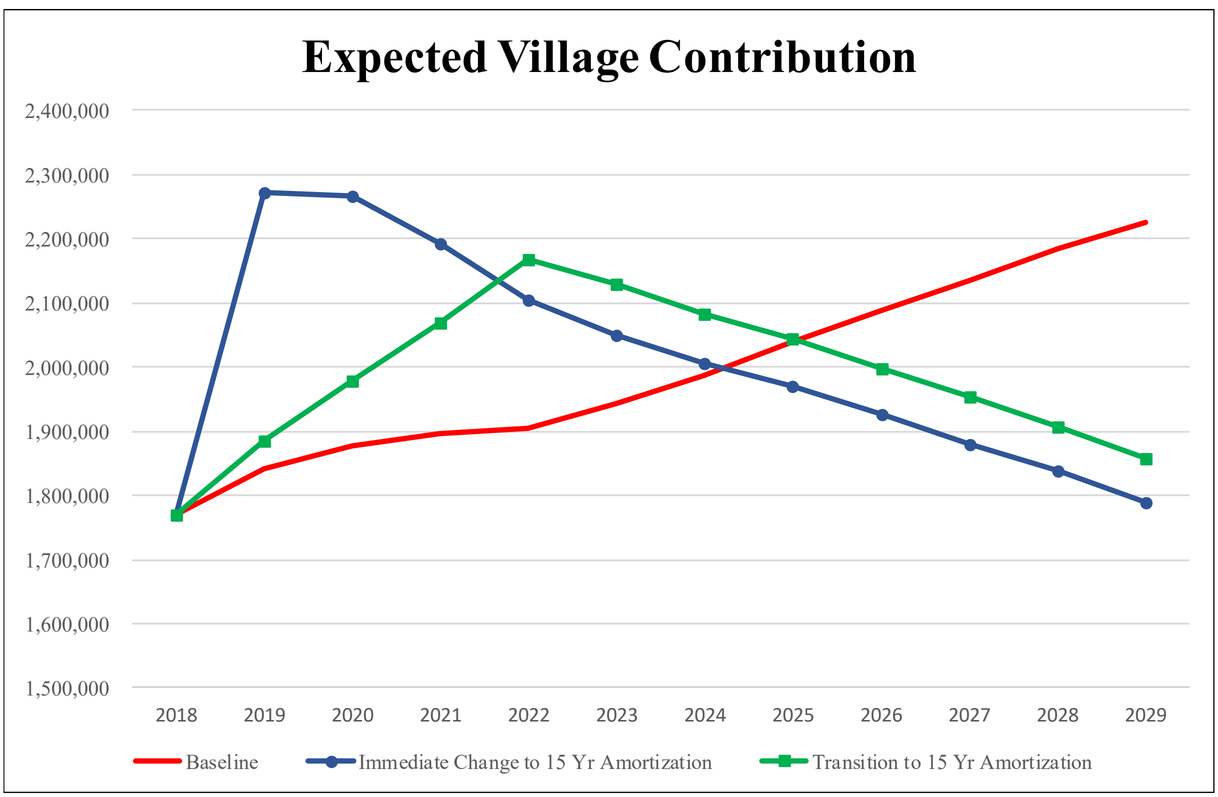
3. Transition to 15 Year Amortization: This scenario arrives at the 15-year rolling amortization on a more gradual basis by reducing the amortization period by 2 years annually instead of the one-year reduction in amortization period that normally takes place each year.

In all scenarios, we did incorporate the impact of the new public safety pension mortality tables recently issued by the Society of Actuaries in draft form. We have assumed that these will be implemented as static tables for this purpose. These tables will be issued in final form this fall, and we plan to incorporate these into the valuation in 2019. You can see the explicit impact of this table on the 2018 results in the Assumption Change Impact section of this report. All other assumptions are consistent with the January 1, 2018 actuarial valuation report issued on May 4, 2018. A complete summary of those assumptions and methods can be found on page 9 and 10 of this report.

As you can see by the charts and tables on the following pages, the short-term impact of making this change is a substantial increase in contributions. However, over time, this relationship reverses, and the Baseline scenario contributions exceed the rolling 15 Year Amortization contributions.

Funded status improves faster and is higher long term the sooner that you move to the 15-year rolling amortization. However, the difference between the Baseline funded status and the other scenarios is never more than 3%.


Funded Status
80%
78%
76%
74%
72%
70%
68%
66%
64%
62%
60%
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Baseline
Immediate Change to 15 Yr Amortization
Transition to 15 Yr Amortization


Expected Village Contribution
2,400,000
2,300,000
2,200,000
2,100,000
2,000,000
1,900,000
1,800,000
1,700,000
1,600,000
1,500,000
2018
2019
2020
2021
2022
2023
2024
2025
2026
2027
2028
2029
Baseline
Immediate Change to 15 Yr Amortization
Transition to 15 Yr Amortization

Impact of Change to Amortization Schedule

Valuation Year	2018	2019	2020	2021	2022	2023
Baseline						
Funded Status	61.1%	61.7%	62.9%	64.8%	66.8%	68.1%
Expected Village Contribution	1,771,000	1,840,000	1,876,000	1,895,000	1,904,000	1,942,000
Immediate Change to 15 Yr Amortization						
Funded Status	61.1%	61.7%	62.9%	65.6%	68.3%	70.2%
Expected Village Contribution	1,771,000	2,273,000	2,266,000	2,192,000	2,104,000	2,051,000
Annual Impact (vs. Baseline)	-	433,000	390,000	297,000	200,000	109,000
Transition to 15 Yr Amortization						
Funded Status	61.1%	61.7%	62.9%	64.9%	67.0%	68.7%
Expected Village Contribution	1,771,000	1,884,000	1,978,000	2,069,000	2,167,000	2,129,000
Annual Impact (vs. Baseline)	-	44,000	102,000	174,000	263,000	187,000

Valuation Year	2024	2025	2026	2027	2028	2029
Baseline						
Funded Status	69.5%	70.8%	72.2%	73.6%	75.1%	76.7%
Expected Village Contribution	1,988,000	2,040,000	2,087,000	2,134,000	2,183,000	2,225,000
Immediate Change to 15 Yr Amortization						
Funded Status	72.0%	73.6%	75.1%	76.5%	77.9%	79.1%
Expected Village Contribution	2,007,000	1,969,000	1,926,000	1,881,000	1,839,000	1,790,000
Annual Impact (vs. Baseline)	19,000	(71,000)	(161,000)	(253,000)	(344,000)	(435,000)
Transition to 15 Yr Amortization						
Funded Status	70.5%	72.2%	73.8%	75.3%	76.7%	78.0%
Expected Village Contribution	2,084,000	2,044,000	1,999,000	1,953,000	1,908,000	1,857,000
Annual Impact (vs. Baseline)	96,000	4,000	(88,000)	(181,000)	(275,000)	(368,000)

Assumption Change Impact

To help you understand the impact of changes to the individual assumptions, we have analyzed the following assumption changes, each in isolation.

- A change in the interest rate from 6.50% down to 6.00%.
- A 50 point decrease in the salary scale applied.
- The impact of the new public safety mortality tables on a static basis. Static means that we project mortality to the valuation date and assume that it will be the same at all years in the future at each given age.
- The impact of the new public safety mortality tables on a generational basis. Generational means that we project mortality improvement to continue to occur in all future years. The result of this is that someone who turns 50 in 2020 will have higher mortality than someone who turns 50 in 2030.
- A change in the payroll growth assumption from 3.50% down to 3.00%. This will result in higher payment in the short term, but smaller payments in the long term.

The table on the next page illustrates what the contribution would have been in the January 1, 2018 report had the given assumption change been implemented. You can approximate a net impact of implementing changes by adding together the individual impacts. At this time, the only change that we recommend for next year is a move to the new public safety mortality tables. A complete list of assumptions and methods used in the Baseline results can be found on pages 9 and 10 of this report.

Recommended Contribution Determined as of 1/1/2018, Applicable to Fiscal Year Ending 12/31/2019

	(1) Baseline	(2) 6.00% Interest	(3) Salary Scale 50 bp Lower	(4) New Mortality Static	(5) New Mortality Generational	(6) Payroll Growth 50 bp Lower
Normal Cost (with interest)	$901,516	$1,038,690	$848,281	$895,020	$934,440	$901,516
Administrative Expenses (with interest)	18,402	18,316	18,402	18,402	18,402	18,402
Payment Required to Amortize Unfunded Actuarial Accrued Liability over 23 years (as of 1/1/2018, with interest)	1,196,161	1,351,549	1,164,548	1,239,014	1,349,096	1,253,372
Total Required Contribution	2,116,079	2,408,555	2,031,231	2,152,436	2,301,938	2,173,290
Expected Member Contributions	(345,430)	(345,430)	(345,430)	(345,430)	(345,430)	(345,430)
Expected Village Contribution	1,770,649	2,063,125	1,685,801	1,807,006	1,956,508	1,827,860
Impact Relative to Baseline (1), as $		*292,476*	*(84,848)*	*36,357*	*185,859*	*57,211*
Impact Relative to Baseline (1), as %		*16.5%*	*-4.8%*	*2.1%*	*10.5%*	*3.2%*

Actuarial Assumptions and Methods for January 1, 2018 Valuation

Mortality Rate

Healthy Lives:
RP-2014 Blue Collar Total Healthy Annuitant mortality table, sex distinct with generational mortality improvement using Scale MP-2016 and a base year of 2013. 10% of active deaths are assumed to be in the line of duty.

Disabled Lives:
RP-2014 Blue Collar Total Healthy Annuitant mortality table, sex distinct, with rates increased by 15% and generational mortality improvement using Scale MP-2016 and a base year of 2013.

The mortality assumptions sufficiently accommodate future mortality improvements.

Interest Rate

6.50% per year compounded annually, net of investment related expenses.

Retirement Age

See table on following page. This is based on an experience study performed in 2017.

Disability Rate

See table on following page. 60% of the disabilities are assumed to be in the line of duty. This is based on an experience study performed in 2017.

Termination Rate

See table on following page. This is based on an experience study performed in 2017.

Salary Increases

Graded schedule based on service. This is based on an experience study performed in 2017.

Salary Scale	
Service	Rate
0	11.00%
1	10.75%
2	8.75%
3	8.50%
4	7.00%
5	6.25%
6	5.25%
7	4.25%
8 - 16	4.00%
17 - 32	3.75%
32+	3.50%

Inflation

2.50%.

Payroll Growth

3.50% per year.

Cost-of-Living Adjustment	Tier 1: 3.00% per year after age 55. Those that retire prior to age 55 receive an increase of 1/12 of 3.00% for each full month since benefit commencement upon reaching age 55. Tier 2: 1.25% per year after the later of attainment of age 60 or first anniversary of retirement.
Administrative Expenses	Expenses paid out of the fund other than investment-related expenses are assumed to be equal to those paid in the previous year.
Marital Status	80% of Members are assumed to be married.
Spouse's Age	Males are assumed to be three years older than females.
Funding Method	Entry Age Normal Cost Method.
Actuarial Asset Method	Investment gains and losses are smoothed over a 5-year period.
Funding Policy Amortization Method	The UAAL is amortized according to a Level Percentage of Payroll method over a period ending in 2041. The initial amortization amount is 100% of the Accrued Liability less the Actuarial Value of Assets.

Decrement Tables

% Terminating During the Year		% Becoming Disabled During the Year		% Retiring During the Year (Tier 1)		% Retiring During the Year (Tier 2)	
Age	Rate	Age	Rate	Age	Rate	Age	Rate
20	14.00%	20	0.000%	50 - 51	15%	50 - 54	5%
25	10.40%	25	0.030%	52 - 54	20%	55	40%
30	5.60%	30	0.140%	55 - 64	25%	56 - 64	25%
35	3.10%	35	0.260%	65 - 69	40%	65 - 69	40%
40	1.90%	40	0.420%	70+	100%	70+	100%
45	1.50%	45	0.590%				
50	1.50%	50	0.710%				
56+	0.00%	55	0.900%				
		60	1.150%				

Glen Ellyn Village Board
535 Duane Street
Glen Ellyn, IL 60137

Meeting: 10/22/18 06:30 PM
Department: Finance
Department Head: Christina Coyle
Category: Bond
Prepared By: Christina Coyle

SCHEDULED

AGENDA ITEM (ID # 3623) DOC ID: 3623

Finance Director Coyle will brief the Village Board on the schedule for the upcoming bond issuance.

Background:
The Board has spent the last year vetting and moving the Village's capital plan forward for several large projects, including a parking garage, Central Business District street and streetscape, Civic Center improvements, and the train station. In September, the Village Board passed a food and beverage tax, which provided crucial funding for these capital projects. Staff has received responses to a request for qualifications for a parking garage design and construction and anticipates selecting a firm before the end of the year. One of the next steps in moving the capital plan forward is to issue bonds to finance the projects.

Subject:
The Village is planning to issue just under $10 million in bonds before the end of 2018. Issuing an amount under $10 million allows the Village to take advantage of bank qualified bonds, which increases the competition for our bonds, and therefore lowers the interest rate to the Village. These bonds will be issued primarily to fund the parking garage project. Although funds could be used to finance the Civic Center project as well. An additional issuance will be necessary in 2019 to fully fund the projects. Under the bond rules, 85% of the bond proceeds need to be spent within 36 months (3 years) of the issuance.

Attached to this agenda item is a tentative schedule for issuing the first set of bonds. The key date for the Village Board is adopting a bond ordinance at the November 12, 2018, Village Board meeting. As part of the issuance, the Village would need to receive another rating. The schedule anticipates sale of the bond to take place in early December, before the market slows for the holidays.

Action Requested:
None

ATTACHMENTS:

- Glen Ellyn Timetable 2018 101618 (PDF)

$10,000,000*
Village of Glen Ellyn, Illinois
General Obligation Bonds, Series 2018

Timetable

Time and Responsibility Schedule*
As of October 16, 2018

Role	Participant	Abbreviation
Issuer	Village of Glen Ellyn	Village
Bond Counsel	Chapman and Cutler, LLP	BC
Financial Advisor	Robert W. Baird & Co.	FA

October 2018

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	8	9	10	11	12	13
14	15	16	17	18	19	20
21	22	23	24	25	26	27
28	29	30	31			

November 2018

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	12	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December 2018

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	10	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Week		Responsible Participant(s)
Week of October 15th	Preliminary Official Statement ("POS") information request sent to Village.	FA
Week of October 22nd	First draft of bond ordinance distributed.	BC
Week of October 22nd	Information received from Village for POS.	Village
Week of October 29th	Provide comments to first draft of bond ordinance.	All
Week of October 29th	Distribute first draft of POS.	FA
Week of October 29th	Distribute second draft of bond ordinance, if necessary.	BC
Week of November 5th	Comments due on first draft of POS.	All
Week of November 5th	Comments due and finalize bond ordinance.	All
Week of November 5th	Distribute second draft of POS.	FA
Week of November 5th	Distribute information to rating agency and schedule a conference call.	FA
Week of November 12th	Comments due on second draft POS.	All
Week of November 12th	Distribute third draft of POS, if necessary.	FA
Week of November 12th	Conference call with rating agency.	Village and FA
November 12th	Adopt bond ordinance.	Village
Week of November 19th	Receive bond rating.	Village and FA
Week of November 19th	Finalize and post POS.	FA
November 22nd	Thanksgiving.	-

*Preliminary subject to change.

$10,000,000*

Village of Glen Ellyn, Illinois

General Obligation Bonds, Series 2018

Timetable

Time and Responsibility Schedule*
As of October 16, 2018

Role	Participant	Abbreviation
Issuer	Village of Glen Ellyn	Village
Bond Counsel	Chapman and Cutler, LLP	BC
Financial Advisor	Robert W. Baird & Co.	FA

October 2018

S	M	T	W	T	F	S
	1	2	3	4	5	6
7	$\boxed{8}$	9	10	11	12	13
14	15	16	17	18	19	20
21	$\boxed{22}$	23	24	25	26	27
28	29	30	31			

November 2018

S	M	T	W	T	F	S
				1	2	3
4	5	6	7	8	9	10
11	$\boxed{12}$	13	14	15	16	17
18	19	20	21	22	23	24
25	26	27	28	29	30	

December 2018

S	M	T	W	T	F	S
						1
2	3	4	5	6	7	8
9	$\boxed{10}$	11	12	13	14	15
16	17	18	19	20	21	22
23	24	25	26	27	28	29
30	31					

Week		Responsible Participant(s)
Week of December 3rd	Competitive sale of bonds.	Village and FA
Week of December 17th	Bond closing.	All

*Preliminary subject to change.