notice your normal cost went down by about 50,000, that's primarily because normal costs is all active members, your head counts are down, you had some turnover, usually replacing retirees, higher income members with new lower income people that affects your normal cost, especially the costs you are achieving from Tier 1's to Tier 2's, that is an effect on that.

Then last year your amortization of unfunded liability increased by 189,000, and that's in line with what we would expect it to be the prior year with that 3.25 percent increase.

TRUSTEE MILLER: Okay.

MR. RIETZ: The next page, I'm going to skip over a few because already I spoke of the Demographic changes, and that's some of the details behind that.

Going to page 6, it's just a list of your Age and Service Distribution for your Tier 1 and Tier 2 members. So you'll see a chart here on the left-hand side of the vertical bar, that's your Tier 1 members. Right hand is your Tier 2, so if you look at basically anybody less than the 10 and 14 year bucket to the left, those are going to be all your Tier 2 members, anybody to the right of that 15 plus usually are your Tier 1's, and your total breakout is about 27 Tier 1's, 38 Tier 2's and an important piece to note here is looking at those who are currently age 50 and 20 years of service and above, so, right now you have looks like about six members that would fit in that category, so those are your members that are eligible to retire today, they hit their criteria, they can retire at anytime.

Going up to the left of the column, you have another six, nine members that are within five years retirement, they're 45 plus, 15 years plus, they're going to be getting close to retirement eligibility so again, just not a number to keep an eye on.

The reason why I mention that is if you go to the next page, and we're talking about Expected Benefit Payments, we project out what your benefit payments are supposed to look like in the next five or ten years, so right now you're paying just over 6.3 million dollars a year, in five years we would expect that to go up to 7.7 million so that includes the three percent COLA's on your current retirees that they are going to get each year, and then that also include the members that are in those retirement eligibilities or will become part of that retirement group, eligible group that may start drawing a pension as well.

And I don't say all that to scare you about how big these numbers are getting, if you continue funding the plan as you are, that takes all of this into account. We project all this out, all the contributions are coming in are being made to be able to pay these benefits.

TRUSTEE LICHAMER: When do you anticipate the different tiers to start?

MR. RIETZ: Shifting?

TRUSTEE LICHAMER: Yes, to where you show an increase of ten percent, I'm sorry 48 percent in the next ten years -- I'm just curious when, all these changing of these tiers back in 2011 was it, when do we start seeing that flip where the savings are supposed to --

MR. RIETZ: The savings, the savings are already being valued, so the savings are being valued when we calculate the liability for each member, so for example for a Tier 1, we're expecting they may retire in 15, 20, they're going to get an unreduced benefit. Tier 2's don't have that, they have to wait to age 55, or they can retire at age 50 with ten years, but they are going to have a reduced benefit, there's a reduction, 30 percent reduction that takes place, so that's all being actually valued in here, it's just that they were all still Tier 1's today, your liability would be higher, and the way that they're accruing the normal cost, the benefits that are earning each year, it's lower than it would have been if they were all Tier 1's as well. So it's already in the numbers itself.

You know, you're going to start, the trend should start to be coming down, but that's, again, where we have longevity, people are living longer, that's where you see a lot of your actuarial losses continue as people are living longer than what we expect, especially when they started the fund, you know, 30 plus years ago. They're living beyond what we would normally expect to be funded for 30 years ago. So, that's kind of where it kind of all comes in, full circle.

TRUSTEE MILLER: Is there any consideration for, with the Tier 2, fulfilling their obligation as far as years in service, but then not applying or collecting their pension until they turn 55 so they hit, say 50 years old?

MR. RIETZ: Right, yes.

TRUSTEE MILLER: Leave the fund, don't quote, unquote, retire just start collecting until they turn 55. Is there, how does that --

MR. RIETZ: We take that into account, so those are what we would call terminated invested participants, so their contributions are going to sit in the fund, you know, show that contribution report, that money is going to sit out there until either they take a withdrawal or they retire, and you're going to see, will probably see more and more members that are, [illegible]5 and [illegible]5 or something like that in getting out and then leave their money sitting there because at 60 they're still going to get a benefit, they're still invested right to that benefit to take an annuity when they hit age 60, they won't have 15 years as a Tier 1, but they still have that right, probably going to see more and more of that, probably see more attrition, probably already do see that with the turnover that you're having.

TRUSTEE MILLER: I know it's been brought up and discussed and asked about quite often from Tier 2 about, because it, had nobody reached that position yet, and there hasn't been an official decision made, it's interpreted through Department of Insurance that's what more likely going to, you know, same as Tier 1, that you can leave and that it's not collected until you apply for your retirement benefit.

MR. RIETZ: The problem is, if you leave, your money is not earning any interest while it is sitting in the fund, and a lot of times it just depends how much, how much are you talking about, if you have $50,000 in employee contributions, is that better for me to withdraw today, pay taxes and all that kind of stuff on it, or wait 25 years to get a benefit of $[illegible]00 a month. That's the game you play that they would have to play with their financial advisers to figure out what's the best avenue to deal with that.

TRUSTEE MILLER: Right, okay, appreciate it.

MR. RIETZ: Past benefit payments, next page, I would point to Plan Changes.

I spoke of the second one already,

the other plan change that occurred during the year is a provision that was part of a public act that now adds surviving spouse benefits for police officers that were already retired, and then become married, so you're married after retirement, they're now providing a surviving spouse benefit to that, your new spouse, even though you already retired already on the provisions around that, they get 15 years or maximum of 15 years of benefits, so they're adding like a certain benefit in there, which we don't normally have, we have the life annuity or joint surviving annuity and it stops, but now they have a certain component to it. And they also have, the member or the spouse has to be 62 to start to collect, so there's an age provision in there as well.

With all the uncertainty about this, we don't value this benefit as part of our liability right now, it's very, very small because we do have to come up with an actuarial assumption of what's the remarriage rate for a retiree after the age 55, you know, one percent, ten percent, who knows, I don't think there is a lot of data out there.

So, right now, we're kind of doing

this as a member falls in the category, come before you and approve the calculations under the statute, you have your attorney -- the attorneys are all over the board on how to value this as well, and how this is suppose to work.

So until someone actually has one and I think there is one attorney out there that does have a member in this category, that might set the precedent of how this is actually supposed to work.

But again, it's a pretty small liability that we would probably consider it insignificant for the fund right now, valuing it, but if you did have a member that actually fell in that category, there would be a situation where you would have a new spouse popping up out of no where, probably take a loss of contribution, reflect that after it happened, versus kind of prefunding the idea for most pension fund is prefund all those adverse events that can happen, this would be a situation where, do we have better guidance, where we are kind of be more reactionary to that.

TRUSTEE LICHAMER: I actually did get a message from our old chief that we may have a spouse, surviving spouse who did remarry, but I noticed here that they have to apply to the Board.

MR. RIETZ: That they applied to the Board they have to be remarried for five years, after the remarriage to be eligible, so there's that provision in there as well. It's kind of uncertain, is it five years from the remarriage date or five years from January 1st when this was effective, so that's part of the legal, that's part of the legal, what's the actual effective date, when does this benefit start accruing, after remarriage, even though they remarried prior to this act coming into affect, or does it affect five years from now before going forward, that all has to be straightened out right now.

TRUSTEE MILLER: We'll have our PSA Services send out the updates.

MR. RIETZ: To their credit and this is a big discussion last fall at the IPPFA conference and every conference, and I attend all of them, they hear this a lot from all the attorneys, the different takes that they have, the presentations there, they attend all of those and they are pretty up to tune.

Honestly more so than I am on what's

actually happening in the communities. I go to a meeting once a year, all those sorts of things.

But just wanted to make sure that you're aware that that act was there now as well.

Next page, Fair Value of Assets, kind of spoke about this earlier, just the important thing to note here is where you started the year 71.1 million, end of the year 64.2 million. Return on investments, negative 6 -- that's right at that nine percent investment loss, and then that's also showing your contributions, your employee contributions, and also the benefits that we are paid through the year.

TRUSTEE MILLER: I know if Norm was here, he would want to know, how much we lost and taking our assets out, out the fund and transferring them.

MR. DIETZ: Better we don't know.

I'm going to jump back to a few pages to page 13. This is where we're getting into the GASB 67/68 Report this is more for Robin's side the city financials and how it goes into the balance sheet and on their annual financial report.

What I want to show you is the Contribution History, the ADC, the middle column there is basically the actuarial evaluation, what we recommend that the Board contribute here, to the left which has actually been put in, and the percentage that you're seeing that historic, at least for the last five years. Downers Grove is been putting in what you requested so they're funding at one hundred percent they're on board working with you to make sure that this plan is going in the right direction so that's one of the important take aways.

The second take away, if we flip the page, is the GASB Solvency test, so part of what GASB requires us to do is to do a projection of your assets and your benefit payments in the future, and if you continue your current funding policy, you will have enough assets to pay all your retirees, that's -- like to see that nice curve.

And then it goes down to year zero at the end there, so your funding plan, for you to payoff all the retirees for the entirety.

And that is the end of my lengthy and fast report.

TRUSTEE MILLER: You got anything else there Paul?

TRUSTEE LICHAMER: I'm just trying to word my question.

Do you have any insight on how these other municipalities did not do that now that everything has been switched?

MR. RIETZ: With the consolidation and so forth, so we do have a number out here. I skipped over it. If you go to page 11, what we have titled it, the Alternative Contribution, this would be the contribution we would recommend if you were targeting that 90 percent statutory minimum, so this would be a number similar to what you would get from the consolidated board, a slight difference in assumptions and those sorts of things, but they would tell you to put in about 4.2 million, we're telling you to put about 5.2 million, so if you do fund at that lower level, again, you're only targeting 90 percent so that big fancy graph I showed you, that benefits pay, that's a line where you cross over, and you're not going to have enough money to pay benefits if you are going to go down that road.

We haven't seen a lot of funds that we did actuarial services for, calculated recommended contributions, just say, we don't need those anymore, we're going to go with the consolidated board, because they were already getting this from the DOI.

The consolidated board is doing the assets, they're getting the same report that they are previously getting from the DOI with that statutory minimum requirement so the funds that are more prudent in their funding, pretty much stuck with that methodology, we don't see a lot that are switching and say, all right, everything changed, let's not fund as well.

So most communities seem to be wanting to stay on their right path and the can has been kicked down the road long enough and communities are realizing that, and they have to tackle this pension problem, because it's been a big delay and pushed back so much that, it's, I think it's much more prevalent in your office that this is a problem that we have to get a handle of and not just --

TRUSTEE LICHAMER: So these other communities, you know, smaller, mainly smaller ones, they're starting to pick up there distributions, their shares?

MR. RIETZ: The smaller ones are interesting so say, for example, that were under ten million, right, so if they're under ten million in assets they had handcuffs on.

You guys had handcuffs on the way you can invest only 65 percent. They had handcuffs up to 45 or if you're under two and a half million, you can only put ten percent in equity.

So you basically have a money market and you're not earning interest, so, those, all funds, are now in the expected 6.8 that the hypothesis going to be granted, so they're seeing, hey, well one, we had to value our liabilities at a five percent rate or four and a half percent rate, now we get to use a six to eight, so their contributions came down considerably, but if they had budgeted things already to say, we're expecting this number to be higher, they might continue it, okay, now we're getting better asset returns, we don't have to worry about that piece, we can contribute more and still within our old contribution requirement, but we're targeting hundred percent versus 90 percent, so some are making that switch.

TRUSTEE MILLER: It will probably take at least four or five years for them to see the returns.

MR. RIETZ: And it didn't help this year that the first year consolidation everybody lost 15 percent. We have funds that issued bonds, we're going to bond up to hundred percent, they're 80 percent funded today. Last year they issued bonds, Berwyn.

Berwyn issued in January of '22, enough to get their funds up -- both funds, police and fire up to hundred percent, now they're down to the eighties again.

TRUSTEE COGGER: I have a quick question for you. On reports that I have seen in the past, they have a page that list the assumptions you used for your evaluations. Do you have that?

MR. RIETZ: I have a full report and I'll email this out, if you like to take this copy, it has all the assumptions of the retirement rates, interest rates, termination, mortalities, all those sorts of things.

MS. LAHEY: Does that also include

unfunded liabilities? Does that go into more detail?

MR. RIETZ: It's pretty much the same so really unfunded liability, actuarial liability, assets, unfunded liability, those are really -- but it may have more detail on the different groups of your liability, plus your active liability, retired liability, terminated, it will break that out and then the whole funding policy how you're calculating your recommended contribution.

TRUSTEE LIC[illegible]ER: So, would you be the person you ask to as far as how the State is conducting itself, buying funds or --

MR. RIETZ: I have an opinion, just like everybody does, you know, it's important to keep in mind that the State, this whole consolidation was to, they think they can manage your assets better than what you were doing, so all the other activities that you do as a board, approving benefit calculations, requesting contributions, it's still, they just wanted to, think you guys are paying too much in fees, too much in trips to Lake Geneva for your trainings and stuff like that, so they wanted to reduce some of those things and think they can manage your money better.

But they're doing, like I said, they're doing the same exact actuarial reports, they haven't changed the statutes on how to fund your plan or what the minimum requirements are to fund your plan, so, in that -- I can't say if they're doing well investing because the market was just terrible this past year, it would have been for everybody, so, I mean, everybody was always skeptical of the State just going to take our money, you know.

TRUSTEE MILLER: Aren't there some requirements, though, that the State does have more authority to force contributions from the municipalities?

MR. RIETZ: It's not, so it's not like IMRF where they come in and say, you have to pay this amount and you do invest, that's the end of the day.

The problem is, even though there is a statutory minimum requirement out there, if you don't make it, so what. There's no bells, whistles or alarms that go off, and say, oh my gosh. You have to pay that bill before you can pay payroll or they make that priority, that's not, that was a fear too, I don't know if it's a fear or not, when they said they are going to the IMRF model that was for investment purposes, they thought they were going to take that to the same level of the contributions as well, which would then eliminate the need for private actions as well, but they are also targeting hundred percent funding, which is not what these funds do, so, you know, to answer your question, there is no, if you don't fund it, there is the intercept concept that's out there that some funds have gone through, so the intercept concept would be if you're not making your statutory minimum contribution, the fund could apply to the Illinois Comptroller's Office and intercept the transmittal of taxes from the village straight to your fund because they're not giving it the way they should, so that is out there, some funds have done it --

TRUSTEE MILLER: You have to be in pretty dire straights.

MR. RIETZ: Harvey being the poster child of all of that so, what happened in Harvey, oh, you're going to take that money, okay, we're going to layoff 25 firefighters, 25 police officers. You want to play that game, okay, we'll play that game too.

So, there's always a balance and it's great having good relationships between the boards, you're going to pay more in legal fees and all these other fees than if you're actually short on your contribution, so usually they try to work an arrangement out together to make sure that you're on a path that's going to get you back to the appropriate range.

TRUSTEE MILLER: Thank you very much, appreciate it.

MR. F[illegible]: So this report is in draft form right now, so there's nothing to approve for the Board, per se. Once we have the final audit completed and go through all the numbers, we would expect the numbers won't change very much unless there's a dramatic audit adjustment that came through or something like that.

So, when your July meeting or October meeting, after the audit is completed, we'll issue a final report, you guys do the MCR, we had all of that completed, so then you can formally approve, request your contribution and move on.

MS. LAHEY: That would be at the July meeting?

TRUSTEE MILLER: Yes. Anyone have any old business? Not aware of any myself and try to set the next date, this is going to be a little sketchy so I do it in pencil with two people not being here, obviously we have the 4th of July holiday there, the first week in July. I personally probably be more inclined to the 17th of July, anyone got any?

Let's do that, tentatively set the next date of July 17th, nine a.m., same place.

I didn't get forwarded any public comments, so if we get a motion to adjourn?

TRUSTEE LICHAMER: Motion to adjourn.

TRUSTEE COGGER: Second.

TRUSTEE MILLER: Roll call.

TRUSTEE LICHAMER: Lichamer, aye.

TRUSTEE COGGER: Cogger, aye.

TRUSTEE MILLER: Miller, aye.

Thank you all very much.

(Which were all the proceedings had in the above-entitled cause.)

STATE OF ILLINOIS)
) SS:
COUNTY OF DU PAGE)

I, PAMELA C. TAYLOR, CSR/RPR, a Notary Public duly qualified and commissioned for the State of Illinois, County of DuPage, do hereby certify that I reported in machine shorthand the proceedings had and the testimony taken at the Downers Grove Pension Board meeting, and that this transcript is a true and accurate transcription of my machine shorthand notes, so, taken to the best of my ability.

Pamela C. Taylor

____

CSR #08[illegible] 0011[illegible]4

Dated this 24th day
of April, 2023

Illinois Code of Civil Procedure

Article II, Part E

Rule 207, Signing and Filing Depositions

Signing and Filing Depositions

(a) Submission to Deponent; Changes; Signing. Unless signature is waived by the deponent, the officer shall instruct the deponent that if the testimony is transcribed the deponent will be afforded an opportunity to examine the deposition at the office of the officer or reporter, or elsewhere, by reasonable arrangement at the deponent's expense, and that corrections based on errors in reporting or transcription which the deponent desires to make will be entered upon the deposition with a statement by the deponent that the reporter erred in reporting or transcribing the answer or answers involved. The deponent may not otherwise change either the form or substance of his or her answers. The deponent shall provide the officer with an electronic or physical address to which notice is to be sent when the transcript is available for examination and signing. When the deposition is fully transcribed, the officer shall deliver to the deponent, at the address supplied, notice that it is available and may be examined at a stated place at stated times, or pursuant to arrangement. After the deponent has examined the deposition, the officer shall enter upon it any changes the deponent desires to make, with the reasons the deponent gives for making them. If the deponent does not appear at the place specified in the notice within 28 days after the mailing of the notice, or within the same 28 days make other arrangements for examination of the deposition, or after examining the deposition refuses to sign it, or after it has been made available to the deponent by arrangement it remains unsigned for 28 days, the officer's certificate shall state the reason for the omission of the signature, including any reason given by the deponent for a refusal to sign. The deposition may then be used as fully as though signed, unless on a motion to suppress under Rule 211(d), the court holds that the reasons given by the deponent for a refusal to sign require rejection of the deposition in whole or in part.

(b) Certification, Filing, and Notice of Filing.

(1) If the testimony is transcribed, the officer

shall certify within the deposition transcript that the deponent was duly sworn by the officer and that the deposition is a true record of the testimony given by the deponent. A deposition so certified requires no further proof of authenticity

(2) Deposition transcripts shall not be filed with the clerk of the court as a matter of course. The party filing a deposition shall promptly serve notice thereof on the other parties and shall file the transcript and any exhibits in the form and manner specified by local rule.

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