WILL COUNTY BOARD

JOINT

EXECUTIVE & FINANCE COMMITTEE

GASB WORKSHOP MINUTES

May 4, 2009

9:00 a.m.

Will County Office Building

County Board Committee Room

302 North Chicago Street

Joliet, IL 60432

CALL TO ORDER

Mr. Kusta called the meeting to order at 9:07 a.m.

ROLL CALL

Present were Members: Adamic, Stewart, Dralle, Gould, Maher, Seiler, Singer, Weigel, Wilhelmi, Brooks, Moustis and Kusta.

Absent were Members: Bilotta and Goodson.

Also Present: B. Friefeld, D. Rozak, S. May, J. Traynere, L. Smith and K. Konicki.

Present from State's Attorney's Office: Mary Tatroe and Melanie Manning.

PLEDGE OF ALLEGIANCE TO THE FLAG

Ms. Smith led the committee in the pledge of allegiance.

APPROVAL OF MINUTES

No minutes were presented for approval.

OLD BUSINESS

NEW BUSINESS

AON Consulting GASB 43/45 Post Retirement Employment Benefit Workshop

Mr. Jack Ross with AON led the workshop on the GASB 43/45 Post Retirement Employment Benefits. The liabilities are very large and currently you have no assets to equate against them so you have an unfunded liability. With the GASB requirement, you have to establish a contribution; if you do not you have to put that on your books and assume you have to pay off in the future. There are a number of questions to consider – what is the promise made – one promise for the law enforcement group and another to everyone else.

Mr. Moustis arrived at this juncture.

Ms. May arrived at this juncture.

Mr. Ross reviewed the current post retirement benefits. GASB wants you to have all your money for your retirees in the bank by the time they retire; they want it fully funded, which is adding significant costs since you have a lot of potential liability. Traditional GASB is an accounting standard. This is different – it is not only an accounting standard but also a funding standard. GASB 43 is due the end of each fiscal year – that is how much liability do I have, how well funded am I and how am I doing against the liability. GASB 45 tells you what the expense is. Effective November 30, 2008 you had to adopt 43 – you had no choice. Starting at that point, you had to adopt GASB 45. For this fiscal year, you now need to put a lot of liability on the books. GASB 43 requires you to report the assets, which are zero, what the liability is, what funding method you are using and what percentage is funded, which is zero. The funding standard tells you one thing – how to put the money in the bank. You have the choice of funding method. He explained how one person gets funded.

Mr. Adamic arrived at this juncture.

Mr. Ross stated the first funding method is EAN – Entry Age Normal method; the second method is the Unit Credit. He reviewed the funding methods using rates of 3% and 7.5%. Under different funding methods, no matter which way you do it the total liability is still the same. He reviewed the assumptions. He explained the Medicare Part D Rx Coverage. You can get reimbursed back from the federal government but GASB cannot take it into account until you get the money back.

Mr. Moustis commented we had negotiated with retirees to pay 100% but we have gotten away from that.

Mr. Singer left at this juncture.

Ms. Konicki arrived at this juncture.

Mr. Ross indicated there are three real options. The first is to lower the benefits - by raising the retiree contributions, making it more difficult to become eligible, limiting employer liability and transferring the risk to the retiree. This option would require union approval. The second option is to only provide benefits to eligible participants. The third option is theoretical in date of participation, which may also need union approval.

Mr. Moustis questioned how much do we have budgeted for retirees.

Mr. Rafac replied approximately $2 million.

Mr. Ross stated you would take that off your number; the lowest number at 3% is $5.3 million and $4.2 million at 7.5%.

Mr. Moustis indicated we talked about using some of our cash reserves to get this started. Do we need an agreement with the union with the date of participation?

Mr. Tidwell answered no, we are not changing benefits – just the funding mechanism.

Mr. Delrose stated this needs to be thoroughly explained. Any kind of change will set off much concern. He recommends you talk to all the leaders of all locals. They have to understand it first before taking it out to their members.

Mr. Moustis commented if we have to implement this in a fairly short period of time, by June 1st we have to move pretty quickly to get it explained to the unions.

Mr. Ross indicated June 1st makes it more manageable.

Mr. Moustis stated the unions do not represent the retirees.

Mr. Delrose indicated that is correct but they have influence on negotiations. We will start negotiating the next contract very soon.

Mr. Moustis commented we have to choose what method we are going forward with.

Ms. Seiler left at this juncture.

Ms. Konicki left at this juncture.

Mr. Wilhelmi questioned once we choose a method, could we switch.

Mr. Ross replied that is an issue of an accounting change.

Mr. Moustis stated he would rather start funding more now. The sooner we have the liability funded the better position the county would be in. We have a AA bond rating; it could ultimately affect that. He asked for an amortization schedule – 10, 20 and 30 years.

Mr. Wilhelmi suggested leaving as 30 years; if we want to add to it, we could.

Mr. Moustis commented he likes the blend.

Mr. Rafac agreed; we want to try to fund this as quickly as possible and make a sizeable contribution in this fiscal year. FY10 is not going to be a pretty year. This will buy us some flexibility in 2010. It is still very early in 2009 and our revenue streams are enough; we have a positive cash situation if we want to fund this now.

Mr. Moustis questioned the cash projection for the end of the year.

Mr. Rafac replied we were at $46 million at the end of FY08. Conservatively, we will possibly drop down by the end of this month to $3 million to $4 million.

Mr. Moustis commented to fund it this year we need an additional $3 million.

Mr. Rafac indicated we need $3 million to fund it this year and forward. To fund for next year we need about that much again.

Mr. Moustis clarified then we will be good to 2011. We can set this up as an additional fund and segregate this money from investment.

Mr. Rafac stated it would be tracked completely separate.

Mr. Wilhelmi suggested putting it in some type of IMRF interest pool; we need to get 7.5%.

Mr. Ross indicated there are different options for investments depending on what type of long-term interest rate would you expect.

Mr. Moustis commented treasuries are between 4% and 5%.

Mr. Gould left at this juncture.

Mr. Ross stated the three last steps are recommendation for options: the first is to conduct a dependent eligibility audit; on average 4% to 7% are ineligible for that plan. The second is to request reimbursement under Medicare Part D. This is money waiting for you to collect from the government.

Mr. Tidwell advised the committee we had missed the deadline. We do not have resources to do it.

Mr. Moustis asked Mr. Tidwell to report back to this committee at the first meeting in June on this reimbursement.

Mr. Rafac questioned if Mr. Tidwell has authority for the dependent eligibility audit.

Mr. Tidwell replied he does not have the technology or resources. There would be a cost for AON to do that.

Mr. Moustis asked Mr. Tidwell to come back with a method of checking eligibility.

Mr. Ross stated the third option is elect a date of participation, which is relatively easy. You need to consider doing that; it affects no benefits.

Mr. Kusta questioned employees who bank sick time and vacation time.

Mr. Moustis replied we are never quite sure what it is since every office holder has a different policy. We do not know until we are handed the request for payout; it is not calculated in our liability.

Mr. Wilhelmi commented it is accrued in our statements but we are not sure how accurate it is.

Mr. Tidwell stated an employee can accrue a maximum of 240 days; half of those are paid out in cash and the other half is applied to their IMRF service credit.

Mr. Blackburn stated his office does compile those numbers; he has the actual amount as a liability as of November 30th.

Mr. Moustis requested that number.

Mr. Wilhelmi indicated that accrual does affect the budget.

Mr. Blackburn commented it is just disclosure. We are booking it on the government side but not in each budget.

Mr. Moustis stated he would like to see it get funded sooner rather than later and put more in now. He asked Mr. Rafac to come back on Thursday to the executive committee with those numbers and recommend what is the best funding method or possibly give a couple of different levels.

Mr. Rafac commented 30 years would be the norm. No one has money to start funding over a short period of time; he does not think it will affect the bond rating but it will if we do not fund it.

Mr. Moustis thanked Mr. Ross for a very good presentation.

ADJOURNMENT

A motion was made by Mr. Stewart, seconded by Mr. Weigel, to adjourn the meeting at 11:20 a.m. All in favor. MOTION CARRIES.