

**Roll Call: Present** – Joe Scott, PSAB, Leslie Huhn, Township Manager, Lou Mahlman, Chris Leidy, Molly Bender, Priscilla deLeon, Cathy Gorman, Mary Curtin 11:03 AM

Absent: Mary Curtin

1) PSAB Update – Joe Scott

Joe apologized for the guys from Morgan Stanley as they could not attend today due to year-end report filings. Going over the reports for quarter ending September, just to let you know all Markets went down in October for fear of the election and what was going to happen. In November, after the election there was a good rebound and the markets have been strong since then. Where we were in September, we took a dip and in October. November was strong and the first part of December has been strong. The second page has fixed income year to date, what's been strong. He spoke with Tom Schatzman earlier and the Feds are looking at increasing interest rates. Years ago in 2011 we decided to because we were expecting the interest rate hike, our guys from Merrill Lynch dumped a lot of our long term bonds so we took a hit with that. We looked at our returns in 2011. It was a bad year. Most plans lost 1 ½; ours lost 3. That was due to the market timing of dumping the long term bonds. We are now going to see some of that reward. With the interest rates starting to rise, anyone that stayed in is going to in T Bills and 10 year treasuries are going to take a hit. We have very little exposure in that, just a miniscule amount. Our short term bonds will hold us. We won't see the losses that others will that did not get out. He said that Tom said they were a little premature in doing it but anyway they feel good about it now and they are not in a position to take a hit due to the short term bonds we are in. Next is the sector returns based on the third quarter. The most significant one if you look at utilities, they were really hot at the beginning of the year. Their year to date is still at 16.1 through September but their quarterly was down 5.9%. The index marks in the month of October took a correction. Some of the ones up really high like Russell up 25% are now nowhere near that. Cathy mention that Mr. Schatzman stated that at the last meeting that was the reason we were not in the utilities and telecom markets just for that reason. Joe said what goes up must come down and that is exactly why our plan was not in those markets. That is one of the major hallmarks of this plan, they do not play chase the ace in the market. They don't go after the hot commodities in the market. They take a very conservative approach. Mary Curtin arrives.

Joe continued saying slide 6 they did a comparison with the Trump administration coming in, policy themes that he has or is supposed to have, and how that might impact the market. If you remember the projection was that if Trump won the market would go south, it did for about two days. The rebound happened. It was up 10 ½ %. It was phenomenal on how it rebounded. I think that was more the news than the reality, in terms of what is going to happen. The S&P chart, these are nice to know but sometimes confusing. They are good information if you take some time to read them. On page 9, begins the quarterly report. Joe asked if we got the quarterly report with the August statement. Cathy said she did not recall, but she will check. Joe said this report is to come quarterly and to call them if we do not receive it. Two more things he wanted to point out, last few months have been up and down, to be down 6% in January and up by 4.9% by quarter end is a big window. As of October they were at 2.95%, November 3.9% and now as of December they are up 5.10%. We are making some nice gains. Realistically the 7.5 – 8% is not attainable goal. And that is due to the fixed income market part of the portfolio, the bond side of the house is not producing. We are concentrating on finding something not volatile. Something that is not going to take away from what we need in the bond market. We don't want to take away the stability but we are trying to get a better deal. We are only seeing 2 – 2 ½% out of the bond, and what you really hope for is about 4%. Unfortunately that is not reality. Mary asked when is the last time we got 4%? Joe said probably about 3 years ago. The guys at Morgan Stanley are really favoring the real estate market. This is core real estate not REITs. Real Estate Investment Trusts are really can be just as volatile as

the rest of the market so we might as well go with the S&P 500. I know for years they were the pride and joy making double digits. We own the property with core real estate, where we invest and have ownership in property; direct ownership. We get part of the rental payments. It shields us against the volatility of the market. We get better returns than we get out of the fixed income market without the risk. If you look on the right side of the chart on page 9, this is what really tells the tale of where we are as long term investment group. If you look at the risk adjusted returns, based on our index, in the graph you will see our index, or where we should be. We are north of that and left, so we are above that so we are higher in earning with less risk. If you look over at since inception, you will see we are at 6.48%, our annual average since 2000 against the benchmark of 5.65%, we are strong in the long run. If you move to the next slide you will see our diversification. If you remember Tom Schatzman said you will not see AEW Core Property and ASB Allegiance will be gone as of January and it is not due to their performance but due to their reporting. They report quarterly and we need monthly. We need to close at the end of the month and it is difficult especially at year end to close with quarterly reporting. Priscilla asked if they won't change their reporting? Joe said no, we are giving them 16 million dollars but to them we are small potatoes. They found another company that is able to report monthly and their returns are just as good. They work with large endowments and other pension funds. Some of those pension funds require daily valuations so they can easily provide monthly reports. They are excited about that but it takes a while to divest. And those funds are in the cash account until complete and sometime in January they will make the investment. That is the latest with who is coming and going and they are keeping a watchful eye on others. On the next page this represents the core of our fixed investments for our clients that just want fixed investments but you can see how the fixed accounts are performing. If you look at the index we are at 2.2% the index is at 2.04%. We are beating our index but you can see the dip in the last couple of years. But you can see in the last five years we have not reached that 4%. To get the high yield returns we would want would be to go with high yield corporate accounts but the problem with that is the volatility and your exposure is too high. To get that you need lower grade bonds, junk bonds that are leveraged and you don't want to be in that. Back in 2008 those bonds lost 35%. No significant changes on the administrative side. Hopefully when we come back in March we will have good numbers.

## 2) Uniformed representation

Cathy said the Manager received a letter from an officer expressing interest in being a member of the committee. Our Code says one member from each association, uniformed and non-uniformed. Leslie said Chris's term is not up yet. Cathy said it would be a matter of whether Chris would wish to step down or we wait until his term expires. Priscilla asked if it was a police officer that wished to do this? Cathy said yes. Mary asked when Chris term was up. Leslie said December of next year. Chris confirmed that yes another officer expressed interest and he has no issue with that officer wishing to learn about the process. Chris said he enjoys doing it and he would have to discuss with the officer; they have a new association president and vice president and he guesses he will assume this position until the Association meeting in January. Priscilla said she did not like when people are kicked off boards. If they are willing to stay on she feels they should stay. Leslie said when speaking with the Association regarding this you may want to ask about their availability. She knows Chris's availability because of his position. This is a patrol officer and we have some issues regarding his schedule. Cathy said we don't want to violate the contract, bringing him in. Priscilla said Leslie is right that we can keep his letter on file and send a response thanking him for his interest. When the term is expired or vacant we can consider him. Chris had a question. The previous Manager asked if he would be the representation and he agreed. Does the Association appoint representation? Cathy said it doesn't say anything in the Code. She said she is not sure if there is anything in the Association's documents, the Code just provides for a representative. Priscilla said Council is the only one that can appoint. Mary asks if it provides for an alternate. Cathy said no. Chris said he is good for another year, and he will discuss with the Association at

the next meeting. Molly said they are public meetings; if he wishes to come he can or any employee for that matter. Cathy said it might be a good idea for him to come and shadow a meeting or two next year so he knows what to expect.

### 3) Actuarial Services

Our actuary provided us with a cost of his services for 2017 which is for our Act 205 filing which is more expensive than last year. For the Non-Uniform plan it is \$7,700.00 based on 18 employees and 5 vested retirees and our uniformed plan is \$7,400.00 or 15 active officers and 6 retirees. This is paid out of our general fund not out of the plan, although we can, we are contractually not permitted. Priscilla asked how much of this is for the Act 205 filing. I said about \$3,000.00 per plan. Joe said so you are paying about \$10,000.00 for services outside of the valuation. Cathy said that is about right. Cathy said PSAB has an actuarial component to their services. Currently we monitor and they maintain our plan, Morgan Stanley administers our plan, and the next component is the actuarial services which we outsource. PSAB provides services through Anderson and Associates. Actuarial services through Beyer Barber. Their filing fees for the police plan would be \$3,400.00 and if GASB 67 is required, \$3,900.00. The Non Uniform is \$3,5000.00 and GASB \$4,000.00. So we are looking at half the cost of what we are paying Municipal Finance Partners. If it is our recommendation to Council to make this change I would like to check with our solicitor to make sure we are not violating Act 44. Priscilla asked what Act 44 was again. Cathy said that Act 44 requires us to RFP for professional services needed for pension plans. Cathy spoke with Mr. Scott and Ms. Costa, since they already have 2/3rds of our business.

He said it would not be something we would need to RFP for. We are already working with them. It is a redundant service. Priscilla asked if we spoke to Linc. Cathy said she would want a recommendation from this committee to discuss with the solicitor before re-organization. She wants to make sure this is something they want to do. It is a huge change. Joe said Anderson Associates is our third party Administrator they do all the administrative services except when someone contracts out separately which is your case. There would be no increase in fees for that side. That is why the quote is only for the actuarial services and Act 205 reports. They are responsible for compiling the data and they send it to their subcontractor which is Beyer Barber. Beyer Barber reviews as they are the actual actuary. Thomas Anderson is an administrator not an actuary. They do not have an actuary in house. They are responsible for signing off on it. Administrative services are all inclusive, you are not paying adhoc for any of it. There will be no change in services provided to you other than someone else will be signing your Act 205 reports. Thomas Anderson will assume the other responsibilities such as your MMO's. They do not have charges for the other administrative services. He does not know exactly how our current actuary charges, this is really a cost driven issue that he thought we should take a look at. Why pay for something you don't need to. He said they tell everybody to check with their solicitor. The Trust does provide these services as an option so they do not feel this is necessarily requires the RFP process. Mary said she would like to hear Linc's opinion. Priscilla agreed. Leslie said the services are there we just elected not to use them. Joe said we are not setting any precedent here. They have other clients that have done the same and no one had issues. They were paying outside actuaries more money. They discussed with their attorney's and determined there was no issue. You are already part of the Trust. Cathy asked what is the timing of getting the Act 205 done? Mr. Friedlander does prepare it early so we are using the most current information for our MMO reporting. Joe said they try to get them ready by March. Cathy wanted to make sure that we would continue with the process we established. The only thing that would slow the process down would be how quickly Municipal Finance Partners releases the information. They track at lot of the information already. Chris asked about the formula we use. Would it be the same? Joe said there is very little difference in opinion about the formulas. They would only make recommendations if it is in the best interest of you monetarily or otherwise. Joe said basically it is status quo. Mary asked if

they were a separate company. Joe said they are contracted by the Trust to do this, just like Morgan Stanley. Mary said she would like to know. Cathy said she would bring it to the solicitor's attention. Priscilla wants the recommendation to come from us as she is a liaison. Priscilla asked about Beyer Barber and they had issues with them. She wants to make sure that there will be no future issues. Cathy said that was the reason we moved to Municipal Finance Partners. Joe said the person at issue has since retired and it won't happen again. Joe said he was here then when the Township came to the Trust and knows what happened. Cathy said if Linc is ok with this there is not another meeting before reorganization. Priscilla said if Linc says no, then Council can authorize an RFP and get a head start. Mary said she would want Linc's opinion so no one could challenge the decision. Cathy said her concern was that Council would appoint an actuary without a recommendation from the committee, she thinks they can, that the Committee is only advisory, but should we. Priscilla asked if it could be tabled. Leslie said if Linc is ok would the committee be ok with the change and if so they could proceed at re-organization. Mary said yes. Leslie said if we are not interested at all then we won't go further. Chris said he would just want to make sure that we remain conservative. He does not recall the issues but he does like how it is organized now and the actuary now. He likes that we are conservative and planning ahead. Priscilla said you can thank us for doing this. Chris said that is right, we are ahead of the game. Priscilla said Mary was interim manager and she was President of Council at the time and we were very instrumental with getting this together. Chris and Molly said they would have to differ to what we find out as it is an unknown. Leslie said the key thing is that the person is no longer there. Chris said he thinks we are all in agreement about saving money. Joe said that for those that have switched he has had no repercussions. Joe said the Township would not be dealing directly with Beyer Barber so it is our call it is just an option. Molly said years gone by we barely had pension meetings. Molly said now that we are more checks and balances. Joe said Thomas Anderson and Beyer Barber are independent. Although you are under the umbrella of PSAB, they are very segregated. PSAB scrutinized them. Molly said as you would be doing with Chuck. Joe said no he is not under their umbrella, he is outside their purview. Molly said then going with PSAB would provide more oversight. Cathy said that she deals with Chuck directly. Joe said yes if we switched they would also be able to provide oversight. Mary asked what I thought. Cathy said she likes Municipal Finance Partners, they are spot on and on the money and he is available when she needs them and he responds very quickly. I know there some with mixed feelings on his presentation but I understand him. It is a substantial cost savings and if the solicitor is ok with it, I can work with anybody. And if it gets down to if I am in disagreement with our actuary or he is in disagreement with me, I contact our solicitor to get his opinion. Decisions are not made unilaterally. I explain the issue to the Manager and we discuss with the solicitor. Priscilla asked if the municipalities that switch, were they with Municipal Finance Partners. Joe said he did not know. Cathy said also that he is not aware of this either. Priscilla said is he aware that his rates are so much higher. Cathy said she is not really sure if his rates are any higher than any other independent actuarial firm. Chuck does other actuarial services than just pension plans. Priscilla said she is going to let someone else make the motion. Chris asked if there is a possibility of asking Chuck if he is willing to lower his costs or at least let him know that we were considering this. Cathy said just as courtesy she would advise him based on what was done here. Molly asked if we can get an opinion from Linc on how to proceed. Then we can give him a fair chance. Joe asked what more does Chuck provide. Cathy listed the services provided, MMO, pension calculations, employee certifications, AG 385. Cathy said the certifications are important. Joe asked if we deal with Anderson at all. Cathy said only when I submit the paperwork for a withdrawal and I get a confirmation or acknowledgement receipt with a date of payment release. Joe said we can contact him and compare just the costs of reporting apples to apples. Cathy said the services performed by our actuary was all that because of the issues with Beyer Barber. It was not necessarily just the employee calculations but other things as well. Molly said the alternative would be Chuck do the minimum and have Anderson do the other information. Cathy said that Thomas Anderson would the AG 385 reviews and the MMO's would be determined based on what I and the actuary would provide. Joe said yes that is how it would

work. The guys at Thomas Anderson and Associates would use the actuarial reports provided to them to confirm the MMO amounts. Anderson would collect the data and send to the actuary to have them complete the Act 205 filings.

Cathy said she would ask him and she would see if Chuck would be ok with it. Joe said there would be no charge for any of the work outside of the Act 205 reporting. Cathy said she would request that information and if Municipal Finance Partners could do just the Act 205. She will contact the solicitor as well. Joe said you might want to ask him about the GASB 67 and 68 reporting as well.

#### 4) Financial Reports

The MMO payments were made which is reflected on the October Statements. As of October 31st the Non Uniform plan has \$2,012,819.37 and the Uniformed Plan has \$5,901,634.71. Priscilla said if someone were to approach her on the street and say so how are your pension plans, I say we are in good hands we have this great committee, am I lying? Cathy said not at all. We are in good shape. We are only paying in State Aid to the non-uniform plan and we are paying just normal costs. The uniformed plan we are at the 86% funded, real money. There are municipalities that are in better shape or fully funded which means they do not get state aid but they are few and far between. The City of Dallas just filed bankruptcy due to their pension plans. Priscilla said we do not want that to happen here. Joe said he only had one, which is a city, the first one they have had in the plan since 1972, in their plan that is in a crisis. Most of our members are in the 80% or more funded status. Cathy said she does know how a city or municipality can defer payment. Joe said when municipalities defer payment or mismanage the funds they dig themselves in a hole that is difficult to get out. If you have a 25 million dollar plan and you lost 30% it would take you 15 years to dig out of that even with a couple of good years. Cities have a difficult time with police on full disability early in their employment. Priscilla said that wanted to use a two year old MMO but she was not having it. It was against the law. Cathy said it isn't against the law. You can do it. We have a practice of basing our MMO on the most current review of the Act 205. We do not have to use that Act 205 number until the year that it is filed with the state. We chose to recognize it the most current year. Cathy said we discuss the MMO in June and it is approved in September. Cathy said the preliminary report of the Act 205 can be used as the MMO basis but we chose to recognize the current one. Joe said all you really are doing is kicking the can until next year. Priscilla said exactly that is why she always has a fit about using the older valuation.

#### 5) Pension Plan Audit

The Auditor General was here to review both plans in the fall for 2014 and 2015. She had previously come out every three years but due to our plan size she comes every two now. We had no findings other than in the Police Plan there is language in the ordinance that needs to be changed because it referred back to another item that had been previously repealed. It needs to be changed but it does not adversely affect the plan or any members. Next time there is an ordinance change in the pension plan we will have it corrected. Linc has been advised. The other was on the last actuarial report the actuary inadvertently used Willie Shelly's part time officer hours as a basis for his non uniform pension liability. That was all cleared up. We were okay and Ms. deLeon and Ms. Huhn was present during the exit conference.

#### 6) Employee Contributions

We are going to ensure that the officers have a 2.5% contribution on the resolution at re-organization. As for the non-uniform plan, as of now there is not a required contribution. We will wait on the valuation to see how that will impact the contribution requirement by May of next year. We will have the resolution done then since their contract runs May to May. We will have a better

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idea of what the MMO we will be able to determine what a contribution amount would be but right now it looks like no contributions are needed.

7) Colas

We received notice that Ron Jones and Gerry Young are entitled to a .7 % increase in their colas as of February 1<sup>st</sup>. That would bring Mr. Young to 10% of his 30% maximum and Mr. Jones to 11.5% of his 30%. Also Mr. Sfeddra was entitled to a .3% increase based on his retirement date as if January 1<sup>st</sup> and he is at 27 %. We will be sending out notices.

8) Non-Uniform - Killo

Mr. Killo has received all the documents. He has turned everything in and is requesting a lump sum benefit. Actuary has reviewed it and Manager has signed. It was sent to Thomas Anderson for distribution and he will be getting a distribution in January of next year based on his eligibility date to receive.

9) Retirement – Roxberry

Everyone is pretty much aware as we had a retirement party for him already but for the minutes; Officer Roxberry officially retired as of September 26<sup>th</sup> which was after the last pension meeting. I wanted to advise the Board of that and he is receiving his pension distribution.

10) Settlements – None

11) Minutes approved and will be posted on the website

Next Meeting, Wednesday, March 8<sup>th</sup> at 11:00  
Meeting Adjourned 12:05 PM

Meeting adjourned at 11:30.