

## **PENSION COMMITTEE MEETING**

**April 24, 2014**

**4:30 PM**

In attendance: Chairman Mark Wetmore, Uniformed Representative; Vice Chairman Sinclair Salisbury, Non-Uniformed Representative; Board of Supervisors; Barbara Lyons, Ken Snyder; Rick Colello, Shawn Touhill. Township Staff: Stephanie Mason. Consultants; Deb Brede, DKBrede Investments and Jim Kennedy, Thomas Anderson & Associates.

### **APPROVAL OF MINUTES –**

**June 4, 2013**

On MOTION of Mr. Colello, seconded by Mrs. Lyons were passed.

### **February 4, 2014 Minutes**

MOTION of Mr. Touhill, seconded by Mr. Colello the February minutes were approved with Mr. Wetmore abstaining

Mr. Snyder then had a question regarding concerns of pension woes that have been reviewed in newspapers and at various events. He wants to make sure everyone has the opportunity to have a better understanding of where we as a municipality are with our pension plan. So he asked everyone present if they had any questions.

Lee Schwarz, Ways and Means Committee Chairman, is interested in the audit results and returns on the fund totals and our unfunded liability.

Ed Ebenbach, Ways and Means Committee member, he would like to see a forward look verses a rear look and would like to know about modeling and scenarios for planning purposes, quality of the plan and how soon it can get better. Also from a legislative concern any changes, status, good or bad that could be happening.

Ken Wallace, Finance Director, wanted to know about fees involved with the plan on a quarterly basis.

Mr. Salisbury wanted to know where we stand compared to other municipalities and if there is anything we can do differently and/or does it matter.

Mr. Touhill wanted to know about the level of funding and what increases changes need to be made.

### **PRESENTATION BY JIM KENNEDY, THOMAS J. ANDERSON & ASSOCIATES, INC.-**

Mr. Kennedy commented that he believes Doylestown management team is very professional and has a good staff and the fact that these types of questions are being raised shows the level of commitment and concern on the part of the Pension Committee.

He reviewed the MMO Act 205 and Valuation Reports that are completed and the role that Thomas Anderson and Associates plays and the changes that occur when cost studies are done and how they can help. He also indicated that there is misinformation that is out there. He also

talked about the Pennsylvania Association of Boroughs and that Mrs. Lyons had contacted, Joe Scott, PSBA. Mr. Scott, who had been invited to come but was unavailable.

Mr. Kennedy indicated that his organization also consults to the PSAB. They review and help them, but he put in perspective that the concerns in the State employees, teachers, Philadelphia, Pittsburgh are different from the rest who kind of fall in a whole other category. We tend to be with the rest of the municipalities and are somewhat better off.

The audit from 2011 – Auditor General’s office did a study – 573 municipalities that administer pension plans that are distressed and that they qualified it as level 0- not distressed, percentage of liabilities that are funded = 90% or greater, level 1 – minimal distressed , 70 – 89%, level 2 – moderate distress, 50 -69%, and level 3 – severe distress, less than 50%. He indicated that 573 showed as distressed in the study. The completed by the Auditor General’s office indicated that  $\frac{3}{4}$  of the pension plans maintained by the city of Philadelphia and Pittsburgh compromise  $\frac{3}{4}$  of the total pension un-funded liability. There are 441 at a level 1, which is where the township is at we are 80% funded.

Doug Worley, who worked in the Auditor General’s office many years, indicated that he’s seen improvements and the actions that the Township has taken over the years, he believes are going to show in our 2015 Valuation as improvements. The changes in the benefit structure should help. The salary rates and mortality tables have changed from where they were and life expectancies so that shift should help. Also going away from utilizing smoothing to funding at market level when the MMO time comes is important as well. Of course, a lot of it is dependent on the socks and bond market and the investment. Truly the next evaluation done in 2015 should give a good position as to how we are doing and the rolling target of the plan.

Mr. Kennedy pointed out that there is no punishment or fine or anything for being where the state levels you at. You have to show it on the upcoming GASB requirements for audits and financial statements. It may only impact if the communities are going for bond issues, but overall it does not impact or change how the municipality functions. Of course the plan is governed through Act 205 and Act 600 the Police plan and he indicated that they work closely to make sure the staff meets all the requirements which is done.

Mr. Worley said he feels comfortable in commenting that he believes without any unforeseen situations that the 1/1/15 valuation will be better than the 1/1/13 and the 1/1/11 as long as there are no road blocks.

Mr. Salisbury asked if they thought that as employees contribute 5% and the township is not adding any new employees to the defined benefit plan and with the creation of the defined contribution plan and not increasing benefits, could this help the plan get better over time. Mr. Kennedy agreed. Mr. Kennedy also said aide verses disability can be a bad balance and approached the benefits structure going forward in hopes that you don’t have those.

Mr. Wallace answered what could we do?

Mr. Kennedy said he feels comfortable with the MMOs. That the moneys received should go right into the pension fund. He also indicated that there is no problem with putting in extra money into the fund as well. Long term that may help as well. He believes that the actions that the Township has taken over the years to address the pension needs is basically net/net and that

we need to stay the course and don't do anything radical and wait and see how the 1/1/15 comes out and perhaps putting more money into it.

Ms. Brede had a question about changing the assumptions for the current 8%. A question she based on the historical trends of the stock market as to why you might want to lower that assumption because the stock market just isn't always reaching that allocation. Mr. Kennedy said it could be looked at. Need to do a study to see how it would impact plan.

Mr. Ebenbach wondered if once that study was done could they just run different models with it. Mr. Kennedy thought they should wait till 1/1/15. Better understanding of how things are doing at that point and what the plan could handle and what actuarial assumptions are at the time.

Mr. Kennedy and Mr. Worley both indicated that you want to be cautious about changing the assumptions too quickly and/or adding the funds because the State may then adjust what they provide as well.

#### **PRESENTATION BY DEBRA BREDE, D.K. BREDE INVESTMENTS –**

Ms. Brede provided a variety of charts. The first one was the Ibbotson SBBI 1926-2013 about staying invested. Provided a chart which shows various dips and highs and lows in the market and the recovery period.

She also provided that rates for April 17, 2014 showing what is going on as well as the 2013 Investment Performance for the plans as well as the comparison of how they did compared to their benchmarks and of course provided information on the timing of the market and the total annual portfolio for the Uniformed and Non-Uniformed Plans. She also gave some additional information on SEI and she provided information on how they picked their managers and how they retain them.

Mr. Kennedy commented that Ms. Brede is a good advisor and is more informative than a lot of advisors that he's encountered in providing information to clients.

Mr. Colello commented that he believes one of the documents is very important. It says in the upper left hand corner, "stay invested". Don't panic but stay invested. He believes that the appropriate thing to do and feels that the actions that the pension committee has taken has begun to result recent returns and we need to stay the course.

Being no further business the Pension Plan Committee Meeting adjourned at 5:50 PM.

Respectfully submitted.

Stephanie J. Mason