

## **Pension Committee Minutes September 20, 2016**

In attendance: Board of Supervisors; Barbara Lyons, Rick Colello, Ryan Manion, Shawn Touhill, Ken Snyder, Non-Uniformed Representative; Sinclair Salisbury, Uniformed Representative; Timothy Reihl and Stephanie Mason, Township Manager. Absent: Board of Supervisors Member; Shawn Touhill

Also in attendance: Ken Wallace, Director of Finance; Jim Kennedy, Thomas Anderson Consulting and Debra Brede, DKBrede Investment Management Company

Meeting was called to order.

### **APPROVAL OF MINUTES – February 2, 2016**

On motion of Ms. Lyons seconded by Mr. Snyder the minutes from the February 2, 2016 meeting were approved with an amendment on page 2 regarding the word GASB being changed. Motion carried unanimously.

### **PRESENTATION BY JIM KENNEDY, THOMAS ANDERSON & ASSOCIATES**

Mr. Kennedy was present and reviewed the 2017 Financial Requirements and MMOs with the Committee. He indicated that the obligation for the 2017 budget for the non-uniformed defined contribution plan minimum municipal obligation (MMO) is \$32,911. The MMO plan for 2017 for the uniformed pension plan is \$394,187 and for the non-uniformed pension plan is \$327,506.

Mr. Kennedy indicated that the state aid unit value went up, so we will be seeing extra money near the end of the month and it was recommended that the Pension Committee refer these for approval to the Board of Supervisors.

Mr. Kennedy then reviewed a funding analysis of the plan from 2007 – 2015. Overall he said the plan has been about 86% funded at market value. However, the January 11, 2017 evaluations will have to be factored in as well. He also indicated that the smoothing over time, that everyone talks about, hit in January of 19 and may begin to begin to ratchet down to 7.25% estimates. He indicated that it is always better to put more into the plan when possible to help with funding ratios. They reviewed the difference between the non-uniformed and uniformed plans over the years. He indicated that there could be a single factor that perhaps impacted that but it would be difficult to tell without going back into time.

Mr. Colello asked if he could look into it a little further. Mr. Kennedy said that he would. He also indicated whether or not there would be any changes by the Feds in the rates that would impact the actual assumptions but if there is ever room in the budget for flexibility, to increasing funding for 2018 and 2019, it should always be considered.

Ms. Lyons made a comment that it's not about doing a study but didn't seem like it would really gain anything in terms of reducing the assumption amount.

### **Change in the Defined Contribution Plan Ordinance**

Mr. Kennedy indicated that there are two changes needed to amend the non-uniformed defined contribution plan Ordinance No. 368. He said the first was Section 5, which eliminates the language which he crossed out in paragraph 2, in response to the Auditors recent verbal comment which needs to be changed. He is also recommending eliminating the employer contributions for each year by the defined contribution based on the estimated final payroll. Making that deposit into the plan before the year end 12/31 each year.

There is an adjustment made after the final reconciliation early in the New Year, either to deposit additional employer contributions or refund excess. This complies with Act 205.

The other item is Section 7 it is to amend this language accordingly to refer to Section 4.12 and that rollover contributions "shall" be permitted. This is an update to the ordinance based on Ms. Mason's 8/19/14 letter to ICMA and the recent ICMA plan document that was updated. He provided the recommended changes.

On MOTION of Mr. Colello, seconded by Officer Reihl, the Pension Committee unanimously to recommend these changes to the Board of Supervisors to the Defined Contribution Ordinance.

### **PRESENTATION BY D. K. BREDE, D.K. BREDE INVESTMENT MANAGEMENT COMPANY**

Mr. Colello made a comment that he appreciated receiving all the information in the packet prior to today's meeting.

Ms. Brede reviewed the uniformed pension plan performance report of August 31, 2016. She reviewed the Account Summary and the Market Values in the plan which is currently at 63/35 mix. She reviewed the Asset Allocation Targets for the Domestic Equity, International Equity, Alternative Investments, Fixed Income and Cash, all being within range. She reviewed the Account Summary – Asset Growth with the beginning value and the ending value, total return of 4.03% and payments to retirees as 8/31/16 total \$319,811.67. She reviewed the Investment Performance (Total Return %) comparing the SEI funds to benchmarks of the Russell and Lipper as well as those returns on bonds as well. The weighted average in investment performance was 5.55%.

Ms. Brede then held a discussion regarding the active managers verses the passive managers and the potential of moving a portion of the funds into the passive management investing. She indicated that at times one does better than the other, but overall there may be some benefits to moving into those passive funds. She indicated that the bond funds may not be where you want to do that but certainly in the equities could see whether or not there is some benefit to the active vs. passive managers.

The Pension Committee believes that there is benefit to utilizing the passive vs. active and perhaps splitting the equity funds out for that would be best. The use of ETFs.

Mr. Colello commented that years ago wanted only to gain, no index is good idea. Combination even better and the cash would remain as is.

Ms. Brede then reviewed the Non-Uniformed Pension plan Performance for August 31, 2016. Again providing the Account Summary – Market Values of the funds. Reviewing the Asset Allocation Targets that were all within range. The Asset Growth of the plan from the beginning value to the ending value returning year to date 3.99%. Pension payment in the amount of \$271,784.47. Again looking at the Investment Performance (Total Return %) and comparing those SEIs with active management with some of our other benchmarks and the same on the bond market as well. Overall the investment performance return was 5.55%.

Ms. Brede provided the Committee with a number of charts and graphs that provide historical information to them related to pension investments.

After further discussion on using the ETFs, on MOTION of Mr. Colello, seconded by Officer Reihl, the Pension Committee unanimously approved investing Equities – 50% moved to Index Fund, such as the VanGuard and Blackrock funds leaving the bonds with SEI.

Being no further business the meeting adjourned at 4:55 pm.

Respectfully submitted by:

Stephanie J. Mason  
Secretary