

PENSION ADVISORY BOARD/HEALTH & WELFARE BOARD OF TRUSTEES
JANUARY 21, 2009
REORGANIZATION MEETING

The Pension Advisory Board/Health & Welfare Board of Trustees, met for their Reorganization Meeting on Wednesday, January 21, 2009, in the Township Building. The meeting was called to order at 7:05 p.m.

ROLL CALL:

The following members of the Pension Advisory Board/Health & Welfare Board of Trustees were present: Ronald G. Wagenmann, Township Manager & Trustee; Fred Santoro, Staff Liaison; Robert W. McKernan, Non-Uniformed Representative; Chief Ronald M. Fonock, Chief of Police/Trustee; Barbara Frailey, Supervisor and Trustee; Eric C. Medrow, Member.

APPOINTMENT OF TEMPORARY CHAIRMAN:

Mr. Ronald Wagenmann, Township Manager, was appointed temporary chairman for this reorganization meeting.

ELECTION OF CHAIRMAN:

The motion to appoint Eric C. Medrow as Chairman of the Pension Advisory Board was unanimously approved. None opposed. Motion unanimously passed.

ELECTION OF VICE CHAIRMAN

The motion to appoint Ronald M. Fonock as Vice-Chairman of the Pension Advisory Board was unanimously approved. None opposed. Motion unanimously passed.

ELECTION OF SECRETARY

The motion to appoint Ronald G. Wagenmann as Secretary of the Pension Advisory Board was unanimously approved. None opposed. Motion unanimously passed.

REAFFIRMATION OF POLICE PENSION FUND MANAGER, D. F. DENT AND COMPANY

The motion to reaffirm D. F. Dent and Company as the Police Pension Fund Manager was unanimously approved. None opposed. Motion unanimously passed.

REAFFIRMATION OF PENSION FUND CUSTODIAN, PNC BANK

The motion to reaffirm PNC Bank as the Pension Fund Custodian was unanimously approved. None opposed. Motion unanimously passed.

REAFFIRMATION OF ANDERSON AND ASSOCIATES AS PENSION CONSULTANT

The motion to reaffirm Anderson and Associates as Pension Consultant was unanimously approved. None opposed. Motion unanimously passed.

OLD BUSINESS:

NEW BUSINESS:

Mr. Ron Wagenmann, Township Manager, reported that Fred Santoro, Human Resources Director, had the first meeting with township retirees on January 20, 2009, at which time Mr. Santoro discussed the Governmental Accounting Standards Board (GASB) Report that requires governmental units to do an actuarial study of post employment medical benefits. Mr. Wagenmann explained that even though the township requires retirees to pay the COBRA rate to remain in the township health care plan, the GASB requires the study because there is a subsidization of those members being permitted to remain. Mr. Wagenmann stated that the study revealed a 17% premium above the base COBRA rate that is needed because on an amortization schedule of thirty years, the study indicated a \$4.4 million accrued liability. The 17% over the thirty years would create the trust fund to pay those benefits.

A question was asked if the township is community based or experienced based. Mr. Wagenmann responded that it is experienced based. He added that the township is self-insured for health benefits with Ameri-Health as a provider which is Blue Cross/Blue Shield and they are the third party administrator of the health care plan.

Mr. Wagenmann indicated that approximately 80 retirees are in the health care plan. The retiree meeting that Mr. Wagenmann referred to earlier was very active and most of the attendees were not pleased with the change, particularly the 17% premium. Some were of the opinion that the township should assume the cost.

Mr. Santoro discussed the 17% premium and explained that since the township is experience-based, retirees who are generally the older members of this group, use a disproportionate amount of the services that are paid for directly. Because they are paying average rates, they receive a much greater benefit for their contribution than their contribution covers. The 17% surcharge is designed to fill that gap over the thirty year amortization schedule.

Mrs. Frailey asked if spouse and children are included. Mr. Wagenmann stated that since a police officer can retire at age 50, they can still have children. Under the health regulations a child in college is carried up to age 25.

Mr. Wagenmann stated that the \$4.4 million is the number that we have to work with. Currently it is just a GASB reporting requirement; however, Mr. Wagenmann pointed out that it is reported the same way as the pension funds, every two years. He pointed out that Upper Merion's \$4.4 million is not a significant number compared with other townships that provide paid up health care.

The question was asked if most townships have legacy plans. Mr. Wagenmann responded that the majority do not have legacy plans.

Chief Fonock noted the difference in payment between police and non police. He stated that since 1985, the police officers have been putting a portion of their salary percentage with a township match into a Voluntary Employment Benefit Association (VEBA) Fund and explained the VEBA process. In answer to a question, Chief Fonock responded that the VEBA is just for police officers. He then discussed the situation with non police retirees.

The question was asked if this is a contractual agreement. Mr. Wagenmann responded that it is contractual and he explained the difference for police officers and civilians.

Chief Fonock noted that several years ago a discussion came up with the non uniformed employees about a VEBA, but one of the requirements was that there had to be 100% participation. Although there was interest, he pointed out some of the reluctance to commit to it.

Mr. Wagenmann commented on the Health Retirement Savings Account (HRSA) and he pointed out that these contributions are totally deduction free. Another benefit is that it could lower premiums or be applied to premiums for health insurance or for long term insurance.

A discussion ensued regarding the difficulty of getting some people, particularly younger workers, to take advantage of payroll deductions for savings and investment.

Chief Fonock provided background regarding the police pension fund and past and current contract agreements, and the positive results of the power of investment.

Chief Fonock discussed the proposed township fitness program that is being worked out. The basic premise for retirees and current employees is that if they reach certain criteria such as weight loss, smoking cessation, etc., that there could be positive monetary benefit.

A discussion ensued regarding the positive fiscal and physical results to be achieved by such a fitness program

ADJOURNMENT

With no further business to come before the Board, the meeting was adjourned at 8:00 p.m.

Alfred E. Santoro, III
Board Liaison

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Minutes Approved:
Minutes Entered: