

PENSION ADVISORY BOARD/HEALTH & WELFARE BOARD OF TRUSTEES  
JULY 10, 2013  
QUARTERLY MEETING

The Pension Advisory Board/Health & Welfare Board of Trustees, met for their Quarterly Meeting on Wednesday, July 10, 2013, in the Township Building. The meeting was called to order at 5:30 p.m. followed by a pledge to the flag.

ROLL CALL:

The following members of the Pension Advisory Board/Health & Welfare Board of Trustees were present: Supervisor Greg Waks, Board of Supervisors Liaison; David Kraynik, Township Manager and Secretary; Nick Hiriak, Finance Director; Sara Evans, Director of Human Resources; Chief Tom Nolan, Vice Chairperson; Eric Medrow, Chairman; Sgt. Andy Andreyko, Police Representative; Sudha Suryadevara, Non-Uniformed Representative. Vincent Mallon was absent.

MEETING MINUTES:

It was moved by Chief Nolan, seconded by Sgt. Andreyko, all voting "Aye" to approve the March 13, 2013 Meeting Minutes as submitted. None opposed. Motion unanimously approved.

PRESENTATION BY ZACHARY HOOVER, CHIEF OF STAFF, SENATOR DAYLIN LEACH RE: PENSION LEGISLATION AND HEALTH CARE LEGISLATION

Mr. Zachary Hoover, Chief of Staff, Senator Daylin Leach, provided an overview and outlook of the pension legislation in the Pennsylvania State Legislature. Prior to passage and enactment of the state budget, there were three major issues in the mix of budget consideration: a massive pension reform package, liquor privatization, and the transportation bill. None of these issues were in the final budget bill.

Mr. Hoover pointed out both the State Employees Retirement System and Public School Teachers pensions were hit hard by the economic downturn a few years ago and there were many suggestions as to how to fix the unfunded liabilities of these plans. As a response to this situation, Governor Rendell signed into law Act 120 in 2010 which made some changes for existing employees. The State Supreme Court has ruled on several occasions that changes cannot be made to the pension programs of current employees under contract. Act 120 made a lot of changes for new employees, for example, pension vesting went from five years to ten years and increased the amount of employee contribution among other things. It also took a look at the unfunded

liabilities of both the state programs, and set out a timetable for the state to restore viability to these programs.

During the good years of the late 1990's and early 2000's there was no opportunity to make these investments as money was spent on other things, consequently when the economy went down, the unfunded liabilities in the two pension plans increased. Act 120 set up a payment plan to which involved making some painful investments. The money had to come from somewhere by cutting other programs or increasing revenue through taxes or fees. Prior to his election, Governor Corbett said he would not raise any new taxes during his administration. This meant the Governor had to essentially reject Act 120 and come up with a whole new plan for Pension Reform. Although the plan was not included in the recently enacted state budget bill, there is still a push from the Governor's office to do this and it might be relevant in the fall. Basically the plan would affect all new employees who would change from a defined benefit package to a defined contribution package 401(k). This would not affect municipal employees.

Originally it was thought this would save a lot of money over time; however, when the actuarial notes were completed by the Public Employee Retirement Commission on which Senator Leach serves, it was determined that changing to a defined contribution system would over the next 30 years cost the state approximately \$350 million just for the switch. This was not well received on both sides of the legislative aisle. As a result, nothing happened and the budget was passed without changing the pension system.

Mr. Hoover stated while it is not possible to change the contracts of current employees what could potentially be done is to mandate current employees change from a defined benefit package to a defined contribution package at any time they accept a salary increase. The same was to be done for legislators. It was added into the bill that any time a legislator runs for reelection, for their pension purposes, they would be considered a new hire and would be required to switch over to a 401(k). This bill might come up again in the fall.

Mr. Medrow stated what is being discussed here would have affected school teachers, but not municipal employees. Mr. Hoover indicated that is correct.

Mr. Hoover stated it was his understanding that Upper Merion Township has two plans: one for non-uniformed employees which is a defined contribution plan and uniformed employees which is a defined benefit plan. He said Upper Merion Township was among the municipalities that do not have any unfunded liabilities.

Mr. Medrow commented Upper Merion is very well funded at approximately 90%.

Mr. Hoover indicated the strong message from the Governor's office for municipal plans is that "they are on their own."

Mr. Medrow asked if any legislation is pending with regard to municipal pensions. Mr. Hoover responded there is no legislation that will be seriously considered. He said there will probably be some bills introduced between now and the end of the year as this problem gets worse. Mr. Hoover noted Harrisburg and a lot of the small cities are looking at some real crises, but so far no one has put together a comprehensive bill that assumes a state takeover. He indicated there was an attempt to write a bill that was specifically for second class cities; however, Pittsburgh is the only second class city in Pennsylvania and they were running into a pension problem. Their city resisted having their pension taken over and they proposed selling off a lot of the city's parking lots and using that money to get their plan back into the black. It is not known what will happen, but that has been the only bill that assumes a state takeover of any pension plans. Mr. Hoover indicated he would keep the Upper Merion Pension Advisory Board informed of any developments.

Mr. Medrow underlined what Mr. Hoover said that no legislation is anticipated any time soon that would affect Upper Merion Township as a municipality. Mr. Hoover responded there is no political will for it. He reiterated when the bill was proposed there was a lot of pushback from municipalities. It is believed legislation will be drafted that deals only with the severely underfunded plans.

Mr. Medrow asked what is considered "severely underfunded." Mr. Hoover provided a "guesstimate" of anything under 65%.

Mr. Medrow commented Upper Merion Township has done an excellent job of managing all of the benefit programs and our pension plan is very close to 90% funded and because of this good position would not want the state to place us in some kind of a state pool.

Mr. Hoover stated there are municipalities that have been responsible when times were good and made the investments they needed to make to keep a good system working for them.

Mr. Medrow commented Upper Merion is one of the better townships in the state in terms of managing their benefits and pension program. He asked Mr. Hoover to let Senator Leach know of the Pension Advisory Board's concern and to keep the Board informed of any legislative activity in the pension area.

## OLD BUSINESS

Mr. Medrow stated he compiled a list of questions regarding the police Defined Benefit Pension Plan. He is working with Sara Evans to edit the questions so they can be placed on the township website in the form of FAQ's and any other medium the Advisory Board might suggest. He asked for comments in moving forward to have this kind of information posted permanently on the website.

Mr. Kraynik offered supportive comments about the FAQ idea.

Mr. Waks commented he is occasionally asked how the Upper Merion Pension Fund is doing because of all the news going on about Harrisburg and other cities with pension issues. He indicated he does not know how well it is known in the community that Upper Merion's plans are funded approximately 90% and he would like notation that added to the FAQ's.

Mrs. Evans stated the FAQ's will be posted and as additional questions or issues come up will be updated on a daily basis.

Sgt. Andreyko commented information on Upper Merion's pension plan appears on the State Auditor General's website and suggested that might be added as an informational note at the bottom of the FAQ's. For the information of those interested, Mrs. Evans indicated the reference for the State Auditor's General website will be provided.

Mr. Medrow indicated over the course of the next few months and years he would like to do the same kind of questioning of some of the other plans starting with the 401(a) plan. He would also like a representative from the 401(a) plan to brief the Pension Advisory Board at one of the upcoming meetings. Mrs. Evans stated she would reach out to Gene Espinosa to get that done.

### Pension Board Action:

A motion was made, and seconded, to place the FAQ's on the website and link to the most current status of the pension plan. None opposed. Motion unanimously adopted.

## NEW BUSINESS

Mr. Medrow stated about a month and a half ago he was invited to a meeting regarding the health plan about a supposed gap in the health plan for police officers who retire under age 65 for the period of time from their retirement until they reach age 65 when their Medicare takes effect. It is his understanding this is an issue that might come up in the contract negotiations this year.

Mr. Kraynik commented the gap is there because there is no formal post retirement plan other than the Voluntary Employees Beneficiary Association (VEBA). He indicated if the Police Association believes this is something to be negotiated, it can be brought up during the contract negotiations.

#### ADJOURNMENT

With no further business to come before the Board, it was moved by Mr. Kraynik, seconded by Andy Andreyko, all voting "Aye" to adjourn the meeting 6:02 p.m.

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David G. Kraynik  
Township Manager and Secretary

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Minutes Approved:  
Minutes Entered: