PENSION ADVISORY BOARD/HEALTH & WELFARE BOARD OF TRUSTEES
NOVEMBER 11, 2015
QUARTERLY MEETING

The Pension Advisory Board/Health & Welfare Board of Trustees, met for their Quarterly Meeting on Wednesday, November 11, 2015, 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: Greg Waks, Supervisor Trustee; Eric Medrow, Chairperson; David G. Kraynik, Vice Chairperson; Police Chief Tom Nolan; Thomas Minger, Jr., Civilian Representative. Others present were: Andy Fidler, Police Representative; Sara Evans, HR Director; Nick Hiriak, Finance Director; Dan Dent, D.F. Dent; Mike Morrill, D. F. Dent. Sudha Suryadevara, Non-Uniformed Representative was absent.

MEETING MINUTES:

It was moved by Mr. Kraynik, seconded by Mr. Minger, all voting "Aye" to approve the June 10, 2015 Meeting Minutes as submitted. None opposed. Motion approved 5-0.

PRESENTATION BY D.F. DENT RE: UPPER MERION TOWNSHIP POLICE PENSION PLAN AND FUND

Mr. Dan Dent, Chairman, D.F. Dent, discussed the performance of the Upper Merion Township Police Pension Plan. Highlights as follows:

- Year to Date basis the total account is up 2.28% through October 31, 2015; S&P 500 is at 2.70%.
- Fixed Income year to date at 1.7% is significantly above the benchmark which is at 0.9%.
- 10/31/14 to 10/31/15 there was almost $1.9 million in total distributions.
- 10/31/12 to 10/31/15 there was $5.4 million in total distributions
- 10/31/10 to 10/31/15 there was $8.5 million in total distributions
- This year the interest and dividends and gains in the portfolio are close to what the payouts have been. The market value of $44.4 million 12 months ago matches the $44.4 million today so all the earnings and gains have been distributed in the last year.

Mr. Dent pointed out he included for the first time the actuarial statistics from the 2015 and 2013 Act 205 Actuarial Report. Highlights as follows:

- For 2013 and 2015 the actuarial value of assets increased approximately $3 million during this period. It was noted these numbers reflect the end of each of the prior years. The 2013 report represents 2011 and 2012 and the 2015 report represents 2013 and 2014.
- The market value of assets has gone up a little less than $6 million
- The actuarial value of accrued liability over the 2013/2015 time period increased $2.6 million.
- Annual monthly payments for year increased $485,893 because of the 8% assumed investment earnings rate.

With regard to the 8% assumed investment earnings rate, Mr. Dent stated as discussed previously there has been concern expressed going forward with the expectation that returns in the securities markets are going to be lower. He noted for the two prior years ending 2012 and 2013 the portfolio's return (net of fees) exceeded 8.68% in 2013 and 11.32 in 2015. The portfolio has been generating returns in excess of the 8% assumed rate of return and has recently increased on a smoothing basis. Mr. Dent noted something is going on with the assumption on the actuarial liabilities and did not know if it had something to do with a change in the interest rate. Mr. Kraynik commented about the change in mortality rates and that all municipalities experienced significant increases.

Mr. Dent stated the portfolio has been tracking above the rate of return and yet the unfunded liability has increased from 1.3 to 3.7%. He questioned how the earnings are in excess and yet liabilities are increasing and indicated he would defer any analysis of this to the actuaries.

Mr. Dent emphasized it is important for him in managing this portfolio to keep an eye on what is going on from an actuarial standpoint because it might shift what they are trying to do in the portfolio.

Mr. Medrow commented as indicated a couple of meetings ago the Pension Advisory Board would like D. F. Dent and the actuary to be in close communication from that point on and he assumes this has been done.

Mr. Dent stated the capital flows over the last 21 years have gone from $14,457,114 to $44,433,834 and the cumulative withdrawals over these same years amount to $22.7 million.

Mr. Minger commented there have been previous discussions about the 8% smooth investment earnings rate in terms of assumptions and asked what Mr. Dent's perspective is on what is a fair assumed rate of earnings and if the 8% is fair or out of line. Mr. Dent responded for the last five years the equities have been 13.9% and the total account has been 9.52%. He expects that returns are going to be lower both for equities and fixed income going forward. Mr. Dent indicated it is mathematically inconceivable to see how we are going to get returns anywhere near 8% when interest rates are as low as they are now. He pointed out as they go up the bond market will do poorly. This means if we were to attempt to get 8% to match the earnings rate we would have to get something considerably in excess of that from the equities. After six years of a strong market appreciating steadily since 2009, the general benchmarks have seen lower terms and although they have been positive they have been significantly lower. Mr. Dent believes that is going to continue. The reason is corporate revenues are slowing down, corporate profit margins are at all-time high and there will not be the growth in revenues that can be seen in the big macro picture as well as improvements in profitability because of the high level of margins. Mr. Dent believes the markets are not going to experience the kind of appreciation they have in the past so the 8% assumed rate of return while it has been achieved in the past is at best a stretch now. With 35% in Fixed Income it is unrealistic to expect over 10% in equities which is what is necessary to get 8%. In summary, the returns are going to be lower and that is why the 8% "bogey" is a real challenge.

Mr. Minger asked for additional clarification regarding the various scenarios with the assumed rate of return since it will dictate the overall approach going forward from now.

Mr. Kraynik pointed out the problem is in reducing the actuarial assumption down to 7 or 7 ½% it would have a significant actuarial change in the value of the plan and will result in increasing significantly the Minimum Municipal Obligation (MMO) burden which comes out of the operating budget for the township.

Mr. Kraynik noted the change in the mortality tables this year. The actuarial profession in conjunction with the state resulted in an 86% increase in the township's MMO for next year which translates to a $392,000 increase in the MMO from last year to this year.

Mr. Kraynik said the best way to look at this would be to have the actuaries do an analysis of taking the assumed rate of return down to 7 ½ or 7%.

Mr. Minger asked if over the long term the 8% might be okay. Mr. Dent responded it could be but he thinks in terms of the long term and managing it over the short to intermediate term there will be fluctuations in both Fixed Income and equity markets. In answer to Mr. Minger's initial question, Mr. Dent indicated that he would see 3% or so in Fixed Income where we would pick up a head wind of rising rates which is going to reduce the current value of bonds. The equity market has done well in the last five to six years so that would require getting mid to single digits and would require about 3% out of bonds and maybe 7 or 8% in the equities. With 7% because the equities are a larger percentage, 7% in equities would pull it up more. Mr. Dent noted 8% would be something he would be very happy with but believes that is stretching it. More realistically it would be mid to single digits in the neighborhood of 5% or 6% for the total portfolio. It is unreasonable in a balanced account to expect something better than 7%. D. F. Dent looks at companies that can grow at 10-15% and in some cases they are high growth rate companies that are even higher. He pointed out overall there will be some mistakes that are going to pull the average return down. In some of the high growth companies the earnings growth will be maintained, but in some of those companies as they get larger and cannot grow as fast there will be some degradation in the valuation. There are smaller companies that might be growing at 15% but 5-10 years from now they might be growing at 10% and the valuation placed on those earnings is going to be degraded and compressed from 18 or 20 times earnings down to be devalued once they are growing more slowly at 13 or 14 times earnings. That is a normal process that is seen across the board.

Mr. Medrow asked if the assumed rate of return has always been set at 8%. Mr. Dent responded to the best of his knowledge it has always been 8%.

Mr. Dent stated there has been a good stock market for the last 25 years so the returns in the stock market have been in excess of what was expected in the early 90's and unfortunately many pundits expect going forward there will be lower returns.

Mr. Medrow said we are basically stuck with the 8% at present.

Mr. Kraynik agreed and indicated it is not uncommon for a lot of the municipal plans to have the 8% number and it is something everyone has learned to live with.

Mr. Minger commented in averaging it out there is an 8% assumed investment earnings rate but we have11% this year. He does not feel it is that bad of a number after all.

Mr. Kraynik agreed and said over 15-20 years if one were to average out the plans rate of return it would be a safe bet at 8% or more.

Mr. Mike Morrill discussed some of the analytics in the portfolio. He said in the last year in the performance of the portfolios there were two things that counterbalance each other. Part of the portfolio has been very low to no cyclical stocks so they have weathered well in the recent volatility and helped the portfolio. On the other end there were some more cyclical stocks where performance has been poor. Highlights of some of the best and lowest performers year to date:

- Visa has not only been the best performer this year, it has been one of the best performers since purchased and certainly in the last three years. It has been either the top or second best performer for the portfolio. Despite the fact that it is a really large company, it has done very well. Small and mid-caps are the ones that have the most growth. Visa also has a great business model.

Mr. Medrow asked if Visa is a large cap. Mr. Morrill responded it is very large at $188 billion. He said it is the third largest market cap in the portfolio. Their growth opportunities are very good and it is still not very expensive as a stock and is a name that is favored as a large position in the portfolio.

- At the bottom of the five highest is IMAX which provides a better movie experience. The best days are ahead for IMAX and it is one of the best contributors to date.
- One of the five lowest is Stratasys Ltd. and 3D Systems Corporation – both are in 3D printing. These stocks are now out of the portfolio since both companies started having some challenges.

Mr. Medrow asked if Fastenal (which was listed as one of the 5 lowest) is out of the portfolio. Mr. Morrill responded in the negative and said the position has been reduced slightly.

Mr. Medrow noted Fastenal used to have a large position. Mr. Morrill responded it had a large position and has been a great performer over the long term, but with the macro economy slowing down, the industrial economy slowing down, energy prices getting hit last summer, and because they had some exposure to energy companies in the middle of the country and also Canada their clients were struggling badly and that hit the stock. He indicated when the cyclical portion of the economy returns, this could be one that would work for the portfolio.

With further reference to Fastenal, Mr. Dent commented Fastenal's management is probably the best managed of any company. It is exceptional; however, they sell into the industrial economy and into heavy industry. Heavy industry to some extent is dependent upon energy and is also dependent upon export markets. The strength of the dollar has hurt exports so Fastenal does well, but their customers and their industrial base are seeing a soft market currently. Mr. Dent indicated Fastenal is beginning to bottom out and they probably would be inclined going forward to trim back Fastenal some more and reduce the position.

Mr. Morrill discussed the new positions and deletions in the portfolio as of March 1, 2015. Highlights as follows:

- Alphabet Inc. (new name for Google). Google is fairly new in terms of a position at DF Dent. The reason Google is being purchased now is because their search business is doing very well. Mobile searches are growing faster than the regular search business but they have brought in a new CFO and they have separated the businesses to make it more transparent and have decided "not to keep throwing money at crazy projects." They are also going to have some cost cutting so in addition to the search growth their margins will increase as well. The new CFO has more discipline financially than they have in the past and it has been a good stock since its addition in the portfolio.

A discussion followed about Chipotle, another addition to the portfolio and their recent E.coli outbreaks. It was noted during the discussion stocks were hit very hard in the short term, but bounced back quickly. It was also mentioned it is a very well-managed company with great growth.

Mr. Morrill discussed the first three deletions from the portfolio which are all energy names. He noted for 11 years there was always some exposure to energy and now it is at zero percent in the portfolio. Mr. Morrill said if there is a reentry into energy [Concho Resources, Core Laboratories and Schlumberger], these three names would be candidates to go back into the portfolio. When energy starts stabilizing and production starts coming back it will be revisited.

Mr. Medrow noted 3-D Systems Corp and Stratasys were deleted from the portfolio and asked if there is anything fundamentally wrong with the industry. Mr. Morrill responded, the industry is "not ready for prime time." He said the accepted uses of 3-D printing are not prevalent enough to make it a bigger industry. In addition there are many smaller private companies selling machines and the printing materials at a much cheaper price.

Mr. Dent commented the adoption of 3-D printing by industry in general has been much slower than originally thought. He pointed out these two companies do not have it copyrighted or patented as they should. In addition, 3-D printers have become somewhat commoditized with the entry of many manufacturers.

Mr. Morrill discussed the Equity Sector allocation for the equities in the portfolio. It was noted the first three sectors – technology, financials and industrials were very overweight. He said they found some very interesting companies that they like and do not manage the portfolio to match the benchmark sectors. D. F. Dent is looking for great companies regardless of what sector they are, but make sure there are overweights like technology and financials they are comfortable with. The last four sectors (consumer staples, energy, telecom Services, and utilities) have zero percent weighting.

Mr. Minger asked if the financial overweight relates to rising interest rates. Mr. Morrill responded there are no banks in the sector but rather financial technology with names like Moody's, McGraw Hill). Mr. Dent commented Fiserve was the second best performer and provides various software and service offerings to financial institutions. He said these are financials, but are not what most people consider to be financials. These companies offer software and business services to financial institutions.

Mr. Dent mentioned Discover Financial which is a competitor of Visa and Mastercard. Since 80% of their earnings come from lending and lending on credit card receivables the company is considered by the Federal Reserve to be a bank. The Federal Reserve stress tests conducted on all the large banks rank the banking operation of Discover Financial the second strongest in terms of their capital. The major reason is that it is a non-bank bank, or non-branch bank. People borrow from them online. Discover Financial does not have the "bricks and mortar" expense of real estate other banks have and they do not have the personnel payroll of other banks so it is very efficient using the internet online. In addition, they have a much lower cost structure and as a result the return on their assets and capital position is much stronger than most banks.

Mr. Morrill reviewed the portfolio by market cap with Google at the top at $488 billion. He indicated with the market going up the last six years the percentages of large cap and mid cap have increased and this is the largest the portfolio has been in large cap.

Mr. Medrow commented it looks a lot larger than he has seen in the past. Mr. Morrill responded since the market has gone up so much mid-cap should be raised and instead of $2-10 billion for mid-cap it should be $4-15 billion to put us back in a normal range.

Mr. Morrill provided an example of how different we are in the benchmark on the equities side. He pointed out in looking at the S&P what they consider mega cap is $50 billion and above which is about 64% of the S&P. While there is more in large cap most of it is under $50 billion and it is very different than the mid-cap.

Mr. Dent commented they do not manage the portfolio by trying to have a certain percentage in large, mid, or small. The portfolio is managed as to whether it is a smaller capitalization like Envestnet, Inc. or IMAX. They use the same criteria investing as they use in Google Alphabet or Visa. They are looking for companies that are best in class and dominate their particular market niche and prove what they do.

Mr. Dent reviewed the Fixed Income portfolio composition. He said there is not a lot to report because they are being very defensive in expectation of rising rates. With the maturities it has been steady at 3% three years or a little less versus the much longer maturity for the benchmark.

Mr. Medrow asked if interest rates are going up in December. Mr. Dent responded in the affirmative. He said he feels quite confident that the Federal

Reserve is not going to raise interest rates at a pace which would scare the markets and for that reason it would be done very gradually.

Mr. Dent noted the major beneficiary of the low interest rates has been the government and the major penalty has been for retirees living on CD's with less than 1% returns.

Mr. Medrow commented with the employment number of last week any kind of interest rate increase is going to definitely lead to some inflation in a year or two. Mr. Dent said there is only one direction for inflation from here on and that is to go up.

In reviewing the Fixed Income maturity distribution, Mr. Dent indicated if interest rates were to increase a larger portion of the portfolio would be moved to three years or so.

Mr. Dent concluded the presentation by discussing the portfolio in terms of descending position sizes in equities with the highest percent of the assets in Visa at 6.3% and second with Roper at 3.1%.

NEW BUSINESS

WORK OF PENSION BOARD EXECUTIVE COMMITTEE

Mr. Medrow stated the Pension Advisory Board has a tremendous fiduciary responsibility and the Executive Committee has had discussions on September 29, 2014 and April 9, 2015 to review current practices with a view toward making any necessary revisions.

Mr. Medrow noted the April 9th meeting began with a discussion about the possible need for an investment advisor to work with the Pension Advisory Board in revising the investment policy statement, review targets and monitor the investment manager, D. F. Dent. He explained the investment advisor would be an individual separate from the investment manager who does not do any buying and selling, but simply puts together the investment policy statement and makes sure the investment manager is adhering to the investment policy. Mr. Medrow said the investment advisor would be paid a fee either allocated on the basis of the percentage of the portfolio or a fixed fee.

Sgt. Andy Fidler stated he does not see the need for an investment advisor and that the police have been tremendously pleased with the job D. F. Dent has done.

Chief Nolan commented the concern is paying out a fee to someone to tell the Pension Advisory Board that D. F. Dent is doing a good job.

A discussion followed about the current investment policy during which the following comments were made:

Mr. Medrow commented one of the problems with the investment policy statement is the investment policy was written by Dan Dent several years ago.

Sgt. Fidler asked if the investment policy is insufficient in some way or inferior. Mr. Medrow responded there are some things that could be included such as REIT's, ETF's, and International securities. Chief Nolan responded Dan Dent has explained the internationals to the Pension Advisory Board several times.

Sgt. Fidler indicated Dan Dent talked about the IMAX which is an American company but has an 80% stake in China. He pointed out that probably does not show up as an international stock.

Mr. Minger commented if there is a solid policy statement and it was reviewed by the Pension Advisory Board there could be a one-time investment advisor as opposed to an ongoing consultation.

Mr. Kraynik pointed out the difficulty in getting someone to come in for a one-time relatively inexpensive fee. He said he would be more inclined to resurrect the policy statement, ask Dan Dent to rewrite it in draft and bring it back to the Pension Advisory Board for review and editing.

Mr. Minger questioned if there is any liability for the portfolio not having international just because D. F. Dent does not have the expertise there.

Chief Nolan mentioned a conversation he had with the actuaries the last time they were here and one of their comments was if you were in internationals, "you would have gotten killed."

Mr. Minger commented while all of the money is in the United States, the pension portfolio over the last 20 years has done very well. He said while he can fault it from a diversification standpoint, the fact is that they [D. F. Dent] have done a nice job. Mr. Minger noted that does not mean what the next 20 years will be.

Sgt. Fidler said his concern is another hand in the pocket to oversee on a continual basis whether it is a percentage or a flat fee. He asked who would oversee the overseer and where does it end.

Mr. Medrow stated he feels differently because of the fiduciary responsibility of the Pension Advisory Board.

Mr. Hiriak pointed out if the third party is reviewing the portfolio the trade has been made unless they [third party] are going to approve and execute every trade.

Mr. Minger commented all it would take is for the Pension Advisory Board to ask that some international exposure be added to the portfolio.

Mr. Medrow stated it appears there is not any interest in hiring a portfolio advisor at this particular time over his objections. He tabled the question regarding the investment advisor.

Mr. Minger asked about the next step regarding the revisiting of the investment policy.

Mr. Waks stated the question of rewriting the investment policy is probably one for the trustees as opposed to hiring a second portfolio manager. He said common sense dictates that D. F. Dent rewrite the investment policy and submit a draft for the Pension Advisory Board to review.

Mr. Hiriak noted when the policy statement was updated several years ago for the asset allocations; it was done by the Pension Advisory Board.

Mr. Kraynik asked if Mr. Hiriak was talking about an investment policy statement or asset allocation ranges. Mr. Hiriak responded it was the asset allocation and he believes it was part of the investment policy modification.

Mr. Kraynik asked Mr. Hiriak to locate a copy of that [policy modification] which would be a good place to start.

Mr. Hiriak said he is not sure he ever saw it in print but it did happen and the issue was handled.

Mr. Medrow reviewed the questions provided by Phil Fogli, resident, as follows:

<u>Q#1: Who set the actuarial assumptions?</u>

(Answered by Thomas Anderson): Actuarial assumptions are set in discussions with the municipality.

A discussion followed regarding the 8% actuarial investment assumption rate and what happens with regard to the Minimum Municipal Obligation (MMO) if the 8% assumption is not met each year.

<u>Q#2: Was there an actuarial study done at the time the social security offset provision was added to the plan?</u>

(Answered by Thomas Anderson): Yes. According to Thomas Anderson, the study was prepared as of January 1, 2008 assuming the offset would continue for all future years. The elimination of the offset for retirement dates on or after 12/31/2023 was not part of that study.

Chief Nolan recalled Tom Anderson saying they never took the offset into account actuarially because they thought it was wrong to do so.

Mr. Medrow asked if it was ever checked out with Tom Anderson that the actuarial study was done. Mrs. Evans indicated that was confirmed.

<u>Q#3: Is the current member contribution rate in accordance with Act 600 given the 75% social security offset?</u>

(Answered by Thomas Anderson): It is in accordance with the Collective Bargaining Agreement (CBA).

Sgt. Fidler noted there really is no offset because they [Anderson] are ignoring it. Mr. Kraynik pointed out that question was asked by an outside individual and he is not sure what the motivation was.

Mr. Medrow asked if anything needs to be done with this. Mr. Kraynik responded in the negative.

<u>Q#6: Are the plan liabilities stated in the 1/1/2013 Act 205 report reduced by the social security offset?</u>

(Answered by Thomas Anderson): No, the social security offset only applies to officers hired on or after 10/22/97 and is eliminated for retirements on or after 12/31/2023.

Sgt. Fidler stated there is actually no one that will retire under that provision. Mr. Kraynik commented that is one of the reasons why Anderson chose to ignore it.

<u>Q#7: Can you estimate the funding status of the plan under the following scenarios?</u>

a. If asset smoothing was not used – The Unfunded Accrued Liability of the Plan would increase from $1,336,934 to $6,028,090 and the 1/1/2013 municipality's net cost would increase by $549,568.
b. If the social security offset had not been implemented – the valuation results would not change as explained in the answer to #6 above.
c. The interest assumption was reduced to 7.75% - This would require an actuarial study.

Mr. Kraynik commented any change in the interest assumption is going to have a budgetary impact that could lead to a difference in the budgeting or possible tax increase.

Mr. Medrow reviewed the following questions which were asked by the resident regarding the Non-Uniformed Defined Contribution Plan.

Q#1: The Amendment to the non-uniformed plan that added the 414(h) provision with ICMA is not dated. Do you know when this happened?

Mr. Medrow stated it may be a technicality but it probably should have a date. Mrs. Evans responded it did have a date on page 3 of the adoption agreement. Mr. Medrow stated Mrs. Evans has this information in her office files.

Q#3: Is the 6% township contribution pre or post the 414(h) 3% salary deferral?

(Answered by ICMA-RC): The Township contributes pre (414)(h) 6% salary deferral, which is the Township contribution on gross wages.

Mr. Medrow asked if there is a 414(h) provision under the 457 plan. Mrs. Evans responded not to her knowledge. Mr. Medrow indicated then it is only for the non-uniformed.

Mr. Medrow indicated the next discussion would be regarding the minutes of the September 29, 2014 Executive Session.

Mr. Kraynik stated at one point it was indicated there should be a discussion regarding the reorganization of the Pension Advisory Board: however, he believes the Board has a good structure and he would not make any changes.

A few of the items discussed at the September 29th Executive Session were already addressed previously such as the investment advisor and changing the 8% to 7% to minimize township exposure.

Mr. Medrow indicated there was some confusion as to why two actuarial firms are needed for the Police Pension Plan. It was explained there are not really two firms. Thomas Anderson is the pension consultant who handles all of the administrative paperwork as it relates to the Police Pension Plan. Thomas Anderson sub-contracts out to Beyer-Barber who handles the actuarial reporting.

Mr. Medrow noted the township makes out a check to Thomas Anderson and Beyer-Barber is paid for by Thomas Anderson.

Mr. Hiriak pointed out the benefit of the Anderson firm is other than Jim Kennedy all of their principals have been state auditors of the Auditor General's Office and they do the Act 600 audits which is something which has served the township well.

With regard to the question regarding communication, it was indicated that the Payroll Coordinator and the HR Director are in constant communication regarding all pension inquiries for both the police and non-uniform plans.

With regard to the question regarding insurance coverage, it was indicated that proper insurance coverage was obtained pursuant to Act 51 (Killed in Service); however, recently, the township and the Police Bargaining Unit met and amended the Collective Bargaining Agreement to reflect the liability moving from township to the Commonwealth of Pennsylvania. This has been accomplished and there is no liability to the township pursuant to Act 51. Mr. Kraynik indicated the Board of Supervisors took action by approving a resolution to memorialize that fact.

With regard to the question regarding the ambiguity about the DROP Program, it was indicated Upper Merion has a pre Act 44 DROP plan that has been in place. There is a new Act 44 DROP program that is similar but has more limitations than the older programs. The township cannot change the existing DROP program without negotiating it when the current CBA expires on 12/31/17.

Mr. Medrow stated Mrs. Evans will follow up with the Township's attorneys to prepare a new ordinance in preparation for the new CBA in 2018.

Mr. Medrow reviewed the questions discussed pursuant to the July 9, 2014 Pension Advisory Board meeting.

With regard to the question inquiring if Gene Espinosa has a Certified Financial Planner (CFP) come to the Township regularly to conduct seminars, it was indicated the police and non-uniformed employees meet with ICMA individually on a quarterly basis.

ICMA has indicated they have 39 investment choices in the non-uniform plan. It was asked if the township would be better served with an open architecture (unlimited) list of mutual funds. ICMA has about one third of the choices in proprietary funds designated as Vantage Point (VT). Mr. Medrow said the response to this question was Mr. Kraynik stated the Pension Advisory Board will consider how to address this matter.

Mr. Medrow commented 39 choices is not a sufficient number of options for the non-uniformed employees.

Mr. Minger commented there are multiple studies indicating once you get past a certain number of options the likelihood of participants as well as the rate they contribute drops significantly. He said more is not better in terms of participation and if there was a way to limit that to a broadly diversified lineup he does not believe 39 offerings are needed because it creates confusion.

Mr. Medrow commented his thinking was that 39 is not enough.

Sgt. Fidler said he has not heard any complaints.

Mr. Medrow suggested setting this issue aside.

The next question asked was if the Roth option should be made immediately available in the 457 plan. Mrs. Evans indicated the township does have a Roth option in the ICMA plan.

Sgt. Fidler noted it would not be a payroll deduction. Mrs. Evans indicated that is correct and it is after taxable wages.

Mr. Medrow asked if it is in the 457 and 401 plans. Mrs. Evans responded in the affirmative.

Mr. Waks asked if it is a standard IRA. Mrs. Evans responded in the affirmative.

Mr. Medrow noted the resident indicated it is important to review the "Pick Up" (414h) contribution. Mrs. Evans responded that was addressed in the April 9th minutes. Mr. Medrow asked if this should be changed to avoid taxation. Mrs. Evans responded it was pretax. Mr. Medrow asked if employees are taxed or not taxed. Mrs. Evans responded employees are not taxed since it is pre-tax. Mr. Medrow said that is the way it should be.

In response to the last question, it was indicated that ICMA-RC provided a written response to the questions presented by the resident, along with attachments, which will be disseminated accordingly.

ADJOURNMENT

Without further business by the Pension Advisory Board, the meeting adjourned at 7:26 p.m.

David G. Kraynik
Township Manager and Vice Chairman

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Minutes Approved:
Minutes Entered: