Lower Saucon Township
Pension Advisory Committee Meeting
September 8, 2010
Minutes

Roll Call:

Present: Molly Bender, Michele Hirner, Priscilla deLeon, Council Liaison; Mary Curtin, Jack Cahalan, Township Manager; Cathy Gorman, Director of Finance; Lou Mahlman, Mary Curtin, Chris Cap from PSAB; Peter Butera from Merrill Lynch; and Chuck Friedlander from Municipal Finance Partners. The time was 11:08 AM.

1. **MRT Report – Chris Cap** – Chris said he is just going to give an updated market summary today. The net asset figures are from July. He will not have August figures until about the 15th or 16th of this month. You will have the investment figures which Peter has distributed and that will give you a pretty good market summary of where we are. The Board of Trustees will be meeting on October 14th and 15th in Gettysburg, so they did have some changes from the last meeting. Overall, there really aren't any personnel changes or anything like that and things look pretty stable. Act 44 is also on your agenda which he talked to Cathy about. If you have any questions, he will be more than happy to elaborate to you and tell you what their responsibilities are as your pension provider under Act 44 and some of the changes that were associated with it. If there are not any questions, he will turn it over to Peter.

Peter said they have the numbers through August 31, 2010. They just became available on Friday and they were able to get them in a report format yesterday. Looking through August 31st, he has a couple of items highlighted in yellow. The total balance is at $132,180,344.00. It's down about a hundred some thousand for the year, negative 0.17%, a fraction of a percent. On the right hand column, the indexes, if we would have been perfectly indexed, we would have been a positive .25%, so we're slightly off the index this year; mainly because the stock managers are higher quality. Ownership of stocks, they are mostly the Microsoft, Disney's of the world. Right now the lesser quality stocks are doing better than the higher quality stocks. His bond manager, Wedge, he highlighted everything. They are very positive. They have shifted slightly more money to the short term portfolio. With interest rates being as low as they are; they are at the lowest level in 40 years. They are at the same rates as when JFK was President. They feel it's prudent to start shorting the maturity of their bonds. The Core Bond portfolio which has $34,279,006.00 is around a ten year and where they shifted about $15 million so far is about one to three year average. The short end of maturity, the less your principal fluctuates. There's an opposite relationship with interest rates and bonds. As interest rates have been going lower, the value of our bond portfolio has been going up. When interest rates go down, if you want to sell the bonds, the value goes up. We look at a total return of 7.93% for the bond portfolio. Most bonds only paid 3% or 4%, so how could the return be almost 8%. The principal is depreciated that much. A lot of the return on bonds is coming from principal depreciation. What we are looking at for the future, eventually we should start getting some higher interest rates, and then you would have the reversal of that. The rates will start going up and the bond value will drop. We try to stop that from happening in the future, so we just shorten up the maturities. It's one of the changes they made. Another change they made is highlighted which is ING Clarion, which is a real estate company based out of one of the suburbs of Philadelphia, Newtown Square. They've been around forever and they do a very good job. The Trustees just allocated $5 million to them in August. They did this at the last meeting in State College. The $5 million went to $4,916,311.00 which is down 1%. The real estate index is down about a half of a percent. It's because of the timing when they got the money in the month of August. The object there is these are all publicly traded stocks so they are liquid. We took them from most of the other stock managers and this is where the money came from. We just reallocated money from other stock categories to real estate. The real estate portfolio takes over a 7% dividend. We feel looking ahead we're going to be in a low return type environment. Traditionally stocks have grown to 10% average; we're looking at that average being more 8%. If we could get a 7% dividend, we feel more comfortable getting a decent return on part of the portfolio. The other reason being real estate has dropped so much in value in the last two years we feel it's prudent to go into it now. When you look at the allocations, it's not even a 5% allocation. We eventually want to get to a 5% allocation. Just try to get the return up in these low return type environments. You are not in the fixed account, as you can see this return is 6% again this year. He sent you an email, "The Great American Bond Bubble", and he encouraged you to read this. It talks about not only where we're at today, but where we're going to go in the next two to three years. A lot of the money is shifted into bonds. People are taking money out of stocks and shifting them into bonds which is doing well. If people are buying what has done well and selling what's done poorly, and basically what's going to happen is the opposite. Where they are shifting their money to, where it's done poorly, it's going to start doing well. It really explains the environment we're in and how bond returns are really getting exaggerated. Today if you buy U.S. Government bonds for ten years, your return is 2.5% to 2.6% and you are locking in for ten years. The most you can get is a 2.6% return and your principal is not going to grow. The only way your principal will grow is if interest rates drop again. How much lower can they go? Probably not much lower. When is that going to change? He doesn't know. When it does change, it could change dramatically. You only need a one percent increase in rates. Treasury bonds go from 1.6% to 2.6%; you'd roughly have depreciation in your bond prices which is pretty dramatic. There is a pie chart of how the assets are allocated. The bond allocation is still 38%. We're keeping that around 40%. We haven't changed that. We haven't taken any money away from there. The real estate was the new addition of 4%, but that 4% allocation came from the existing stock manager. We're trying to be conservative and keep it at 40% guaranteed in bonds and cash, and 60% in equity, which is still on target. The Asset Allocation Rebalance sheet is in more detail and he highlighted the REIT which is the real estate trust, and you can see there is 3.7% in there. They'd like to get that to 5%. Total equities are 56.5%. Bonds are 37.8%. Alternatives are at 5%. They've been holding up pretty well this year. They had a positive return for us which has helped. The last page gives you some idea of where the indexes are and what the U.S. market is. It is down about 6% through August and the actual stock market is down a little but more, about 7%. Government bonds, mortgage bonds, corporate bonds, that's what the domestic master is up to about 7.9%. Bonds have done extremely well this year. The sheet titled "Time Weighted Rate of Return by Period: Yearly" shows you from 1997 the cumulative return, so we're up 95% since 1997, which returned about $61 million value to the plan. On the left hand side, they talked about being in a bond bubble, and the sheet behind it kind of gives you a visual. From the stock market from March 2009, people have put $305 billion into the bonds, and they've taken $18 billion out of the stocks. We're at 44 year low on interest rates and now they will be piling up the bonds. If you look at 1998 and 1999, the NASDAQ stock market was at a $10,000. Everyone was talking that the DOW was right around 10,000 and that the NASDAQ is going to pass the Dow, technology is the future, technology is just going to keep growing, buy the internet stocks, you'll be safe, that was 1998 and 1999. In March 2000, the NASDAQ went from 10,000 to 5,000 and ten years later it's at 5,000. We're still where it was in March 2000. At least the Dow is dead-even at 10,000 as back then it was still at $10,000. That's what happens when a bubble deflates. He doesn't think that is going to happen with bonds, but there is going to be some damage done in the bond area. He just doesn't know to what degree. The sheet titled "Mutual Fund Yardsticks" gives you all of the balanced mutual funds in the universe and yours is a balance pension plan and you can see they are negative 0.4%. They've only returned 1.4% per year for the last five years. The last page is from "Blackrock" and it kind of gives you an idea of where the markets are at, where they think they are going within the next twelve months. If you look at anything at all, read the bond bubble article as it's very well written and it's very clear on where we could possibly be going. Chris said if you look at the yield in the report that Peter gave you, we only yielded about .10% in the money market this year. You go back a couple of years ago, we were getting mid-three's. Just our excess cash, when we had our deposits coming in. He was really shocked that state aid was increasing this year. That was a very pleasant surprise because in our judgment we thought of the economy and the down turn where it is, and that an increasing number of people would probably try to lower their premiums. Insurance plans are down outside of PA and we thought state aid would be reduced, so that state aid fund should be in excess of $211million for this year and those checks will be headed out very soon. Chuck said he expected it to go down as much as 10% because this was the first valuation that reflected the down turn so some people who didn't need it as much as others, needs more. They had plenty of cash to spread around which was very helpful. Chris said to characterize the discussion with the Trustees, it is just really to position the portfolio for when the economy does start to turn. Right now there aren't really that many opportunities in the market to make money. If you look at lot of insider talk, there are a lot of exotic investments that a number of investors are counting on. There are more commodities, things along those lines. If you look at the oil futures market, there's so much volatility there. Gold seems to be a very common component. We've got some support from the alternative investment sector which is the endowment fund. When we hired them, the reason the hired the endowment fund a few years ago was because in a down market, they generally outperform the stock pickers. That seems to be true right now. Just getting support in the portfolio is really where we're at. He thinks the dialogue in October will be where is the market going to turn. The REITs, adding them in, there is a strong consensus from the board that this sector has been beaten down so hard, that maybe might be the right turn. The dividend considerations where you are buying into something where you actually receive some sort of rent payment on a monthly basis might add some more support to the portfolio. There is some logic behind that and we continue to maintain 210 plans in the trust. We don't anticipate any other changes. He asked if the investment policy statement was updated? Peter said the investment policy statement already allows for publicly traded real estate companies. The only thing they are going to change is if you look at that re-balancing sheet, the last column on the right hand side if your investment policy and this dictates where we can go and where we can't go, so we just need to further detail that inside the investment policy statement to reflect an allocation toward real estate trust. He went over that quickly, but a lot of the Trustees weren't sure of what it was, but REIT is real estate equity income trust. What it is, it's a publicly traded company like Vornado Realty and what they do by law is when they set up that way, they have to pay out 90% of their income. If you think about it, Vornado could own 100 different properties throughout the whole country so we own those properties and they are collecting rent. This is a way for us to collect rent. All of the rent they collect above and over their expenses, they have to pay out to the owners, so that's how we're getting a 7% cash flow on the investment. It's basically collecting rent and they have to pay that out to us. We don't own office buildings, we don't own raw land, we own publicly traded companies like Disney and Microsoft, but they are real estate companies that have to pay out the rents to the shareholders. It's relatively new to a lot of people. It's about 40% of properties that are in the U.S. and 60% are overseas. Most of the overseas are in Japan and a little bit in Hong Kong. Peter said there was little or no exposure to American hotels which was expressed by the Trustees. Most of it is office space, big department stores.

Mary asked if they had an opinion on how the election will impact the market? Peter said her really didn't know. Everybody keeps saying why aren't we having better returns and everybody keeps saying there's no certainty. No one will hire because there's not enough certainty. We don't know what healthcare is going to cost. We don't know how much the employers are going to have to pay of that. We don't know where the tax brackets are going to be. Obama wants to raise the brackets from where they are at 28% up to 39%. A lot of smart people are in that camp, so they feel if the Republicans gain control from the elections, it will be neutralized and we won't get any big tax increases and we won't have a lot of healthcare cost increases. He doesn't buy that. He doesn't buy the uncertainly. He thinks people are just scared. He sees his clients are scared of the returns they've had in the last three to five years and are shifting to what they perceive as safe. Eventually people aren't going to have to live with bonds at a 2% interest rate and .10% on your cash, and people are going to start going back to stock. The economy is growing, quite slowly. We are getting 2% to 3% growth in the economy, it's not shrinking. Everybody keeps talking about this double dip, double dip. That's not going to happen. You need a shock. We had a major shock to the banking system where bank capital was drained away by these bad mortgages and loans and that shock caused a recession. Now we're gotten over the shock, the economy is growing again, how are you going to shrink again? The only way you can shrink again is if you have another shock, but what's the shock going to be? Nobody knows as there is no real reason. He thinks there have been two recessions back to back in the history of our country. It's not normal, so the economy is growing very, very slowly. As the economy grows, you are going to see slightly higher interest rates. When people start realizing they can lose money on their bonds that they bought, you will see a huge shift back towards equity. Hopefully, we're already there with our 60% allocation. The market is going to do very well regardless.

Chuck said you talked about moving the money into bonds and eventually we are going to get that money back, that's not right. They end up buying something else. Peter said that's why we are going to have some positive returns before that money even starts coming back in. When it starts coming back in, it's just going to generate more positive returns over time. Bonds have done well for eight years now. Luckily, we've had a good allocation of bonds and that's what saved us in 2008. It can't continue that way. Chris said if you look at the assumption rate, we did 18.97% in 2009, and we'll see how these last three months turn out. We want to average above 7.0% to 7.5% in most cases. In some cases, 8% as the assumption rate, depending on which plan we are discussing. Right now, we'd like to get some value added and additional return and investment in these final months to have a positive 2010. Last year there were a lot of people sitting with bonds and didn't get that return as we did. The allocation model is really the primary point that's discussed at a lot of our meetings.

Peter said they get Business Week at their office and he saw there was an article on the economy, how it's doing. The article started off with this quote that was just so negative. Unemployment is high; it's not going to come down for two to three years. The growth rate of the economy is only at 2% and it's the worse recovery for the economy after a recession ever, and that was written in 1992 when Clinton was President. It was after we came out of the 1991 recession and it sounded like today. The article went on to say maybe people are too pessimistic on the economy. We will see. Priscilla said her husband says the press makes it sound worse than it is. Peter said that's true. Priscilla said he's in construction and he's busy. Peter said you don't hear stories like that. Chuck said they added 50,000 to 75,000 manufacturing jobs and they cut 100,000 government jobs. Peter said census workers. Chuck said the right wing says "see the economy is doing really badly". He thought according to them that's how we were supposed to be doing. All you hear is unemployment didn't go down. The news is bad.

2. **<u>Non-Uniform Plan Death Benefit Clarification</u>** – Update – Cathy said we discussed this at the last meeting and she said we needed to get clarification from our solicitor as to whether or not what our ordinance states is accurate to our understanding and whether or not there is any State or Federal laws that it might prohibit and he advised no. There's nothing that prohibits it under State or Federal law and basically what our ordinance states is if somebody dies while employed, they get $5,000.00 regardless of how much they put in, regardless of how much they invested. She researched the two cases that were mentioned. The one that was a non-uniformed employee who passed away while employed; he was employed for eleven years and they gave him what he invested in his pension and pursuant to the ordinance that wasn't correct. We have a defined benefit plan, whereas when you are looking at what you are contributing, you are looking at it as a defined benefit and a defined contribution. It doesn't mix. In essence, what you are contributing is part of what your benefit is. That benefit is determined by what the contract says. More than likely, it should be that the government entity, or your employer, contributes a certain amount over and above what you are contributing. The ordinance is written that way. Whatever the amount is due, you aren't supposed to contribute anymore than 3/7th of what the total amount due once state aid is kicked in. Other than that, the only other way it could be changed is if it was a non-uniformed contract negotiation item and we'll just have to go through contract negotiations and get an actuarial review done at that time. It will end up having to be an amendment to the ordinance and/or contract. Mary said is that because the employees do not contribute anything right now? Cathy said that doesn't have anything to do with it. There's nothing in the ordinance that states your contributions have anything to do with what the pre retirement death payment amount. The non-uniform plan is not completely funded and we're at a point where most of the people in the plan are not contributing. Mary said if the employees were to contribute more; the total might be $6,000 if an employee dies in service. Cathy said you'd still only get $5,000. Michele said you are saying the employee that did die, he received too much? Cathy said yes. Priscilla said that was a miscalculation by the actuary. They took more money out of the fund. Cathy said they took his vested amount and his contribution amount and did not go by the ordinance that says $5,000. Priscilla said that depleted the rest of the account then, that overpaying. Cathy said in essence that is correct. He got $11,000 and he should have gotten $5,000. The other person was a uniformed employee and that had nothing to do with that benefit. That was his life insurance annuity, and prior to Act 600, you could have your insurance paid from the plan and after Act 600, they wouldn't permit it anymore. He must have not filled out the documents indicating where he wanted that money rolled over to. The auditors came up and said his money is in there and it's not allowed to be in there, he needs to do something with it. Michele said she thought he (Broadhead) only got $5,000? Cathy said to correct the record; it was actually $9,000.00 and not $11,000.00. Cathy said he had a total distribution value of $9,495.73. $7,575.00 was considered employee contributions and the $1,900.00 of it was for taxes to be withheld. This was in 1997. It was signed off by Township Manager Ankaitis. Michele said she thinks all employees think they will receive their contributions if they are over and above $5,000.00. Priscilla said this was brought up six months ago. Molly said a long time ago this was how it was done and the ordinance was changed and items were omitted. Priscilla said are you saying this was intentional. Molly said she didn't believe it was

intentional; it's just never been corrected. Jack asked Molly if she had records of this? Molly said she might have something somewhere. Jack said if you can provide this documentation, we'll research it further. Cathy said the last change to the non-uniformed pension ordinance was back in 2003 when Layne was here, and prior to that it was 2002. They've all been minor amendments based on the contract negotiations. Jack said we're not going to go back and have the consultants do any more research. If you can find something, bring it to our attention. Jack asked how many employees would have made the contributions out of the 42? Chuck said there are only six people with accumulated contributions. Nobody has contributed (for 20 years) before management employees started to contribute this year. Jack said then only six employees are impacted by this. We can send something out to them advising them of what was discussed. Chuck said even after these things have been accumulating 5% interest all these years, as of 2010, one of them was still under $5,000.00. The highest is $8,700.00. Jack said we can send something to those employees and notify them what Cathy discussed here. Priscilla said would this be a negotiable contract change? Jack said it would be up to the non-uniformed bargaining unit to decide if they want to bring that to the table. Jack said they will take care of it and notify the people who are affected and we'll send a copy to the Union. Molly said she thinks everyone in the pension plan should be notified if we would have to start contributing again. Chuck said if you are going into negotiations again, the issue of contributions will be on the table.

3. **<u>Killed in Service Insurance</u>** – Update – Cathy said we still haven't gotten a response from the Police Association on the proposed ordinance language. Jack said he doesn't' know what you want to do. They gave them the proposed language to look at and they haven't heard from them for a year. Priscilla asked why there weren't any representatives here from the uniformed plan? Jack said he has asked them several times that they appoint somebody and no action has been taken. Priscilla said she's just concerned as a Council person that there should be representation here and there has not been for many years. Jack said he can send something to them after this meeting telling them there was some concern from the Pension Advisory Committee and he'll ask again about the killed in service ordinance language . Priscilla said that's important. Cathy said it's a bill we pay for every year out of the General Fund. Jack said they will take care of that.

4. **<u>Master Plan Documents – IRS Compliance</u>** – Update – Cathy said Linda Costa provided her with the PSAB Master Plan packet. When they first started with PSAB, we only adopted Chapter 1. They did not adopt Chapters 2, 3, and 4. Four is not really applicable to them, but in order to make us IRS compliant by the end of the year we should adopt it, our solicitor reviewed it. He had no issues with it. We all feel it would be in our best interest to adopt Chapters 2, 3, and 4, along with Chapter 1. We'll modify the plan document with all our provisions in our ordinance and this will satisfy our IRS requirements. We'll have a document that we can provide our employees at one time with a list of everything they are entitled to. There is a copy you can review. If anyone wants to review them to see if you have any issues or concerns as it is time sensitive and they'd like to get this done as quickly as they can. She's hoping that we can just accept the PSAB Master Plan and then make the amendments from there and get Council's blessing that they can pass it before the deadline. Priscilla said we have until the end of the year to pass it? Cathy said until January 21, 2011. Chris said with your ordinance, you can do one of two things. You can go to your solicitor and have them alter your documents which could be expensive or you can adopt, in your case, a uniform and non-uniformed joinder. You may change your ordinance, and you have that option, and then wait for the collective bargaining units to get back to you. Molly said is this reflecting the ordinance that is in effect now? Cathy said just the fact that we are going to use this format, we have to all make sure that is stipulated that the agreement is compliant with what our ordinance states. If you go through it, you will see there are different options that you can mark off and there are others. It was reviewed by our solicitor side-by-side and he said there was nothing in here that would conflict with our labor agreements. Chuck said he found a couple of very minor changes. Jack said rather than paying someone to create a whole other document for the Township, which would have been very expensive for us, this basically links our ordinances with PSAB Master Plan document. Chuck said most of his municipal clients are going to miss this deadline. Their solicitors aren't acting on it. The IRS could decide to come out with non-compliance reviews and audit the compliance. Chris said the IRS and the administration has to be more aggressive. It's kind of ironic as he did get a phone call several months ago from the IRS requesting where they can obtain the data on these plans. He assumed they thought that PSAB was a state agency which PSAB is not a state agency. He referred them to the state office where all that information is archived. It was very unusual that they made that inquiry, but he talked to other actuaries in the industry and there seems to be a concern that the IRS may become more active in municipal pension plans. It's something they haven't been very active in previous years. Chuck said a year ago they had a meeting of stakeholders and they are looking at large plans. They won't get to plans like this for awhile. Cathy said it still would be in our best interest to have it updated. Chris said just as a side issue, if you look at the national scene and what occurred there in California, there seems to be a lot of focus on pension plans. You have a City Manager there that was earning $850,000.00 and a pension guaranteed at $600,000.00. This is just his prediction, but in previous years always divested itself these responsibilities and every eight to ten years those documents have to be updated. There's a cycle and we want to make sure we comply with the cycle, but what's occurring in California, there are increasing number of plans in scrutiny with the public and now he thinks the Federal Government thinks they have to monitor and police that. Priscilla said when something like that happens and the public is aware of it, which they should have known about, and then there's the IRS. Cathy said she apologizes for getting it to them today, as she just received it yesterday from the Solicitor. They will send a copy to the union.

5. **<u>Act 44 of 2009 – Disclosure Compliance</u>** – Chris said Act 44 demands further transparency on their part. He sent something out to their 40 board people and asked if they had given any political contributions of any elected officials or appointed officials associated with this pension plan. For instance, if there is money that is given to the Lower Saucon Democratic or Republic Committee, on part of himself or the Board of Trustees, they have to disclose that. They didn't lobby for the PSAB side; however, there was a provision that was added to the Act 44 legislation. He thinks it's a good thing in disguise to where there are a number of unscrupulous pension providers out there that are disposing of their significant conflicts of interest. They sent a disclosure three weeks ago to all of our members and you have a link where you can download it and print out that disclosure. Cathy made it available to everyone in her email. The burden is really on your to come up with your own disclosure form. Chris said for Act 44, they have 13 training classes scheduled over the next two weeks and he will be at a number of them answering a lot of questions. You have the benefit of downloading the document and they will respond back to you by December 17, 2010. When you are in receipt of that disclosure from them, you do have a website and have a responsibility under the act and they are required to give you disclosure each and every year on their activities and if there are any conflicts of interest with any officials associated with your pension system in the Township or Borough level. The Auditor General next year, there will be a number of different findings and they are determining what their procedures are going to be when they come up with that finding. The penalty is the AG can step in and rule our contract with you invalid and they are done doing business with you for three years. If there are any conflicts where we are giving any money to you, the penalty is three years and we have to pack up and go. They intend to fully comply with the law. Cathy said she just needs a recommendation from the committee to use the form that PSAB has provided and have Council approve it. She asked if this was a submission to vendors who have paid through the plan or any vendor that is associated with the plan? Chris said any vendor that conducts business associated with the plan, so your solicitor and Chuck would fall under that. Chuck said even though they pay him from the general fund. Chris said you have an option of coming up with your own document or if you want to use theirs, the burden is on you to get that documentation. There are a lot of concerns about solicitors, what their involvement is. He's not sure how it's all going to be played out and what is perceived as a conflict of interest. It gets tricky when you have x, y, z Township and a pension provider gave $1,000.00 to the fireworks fund for the 4th of July. How is that perceived? If it goes to the rec board, it gets real sticky and there isn't much guidance from the State. Chuck said it's a lot of bureaucracy and a pain for his clients to implement this, but there's a good idea behind it. Chris said public giving is down, so we don't know if this is going to have an adverse impact three years from now when we look back. This was a late amendment added to that bill. He testified on that bill, and it wasn't there, and then it went to the House for concurrence. Priscilla said if you give a $50.00 check to the Little League, there's no limit and no minimum for that amount. Chuck said there are attorneys that say if you buy someone lunch, you have to disclose that amount. Chris said it has to be a certain amount. Cathy said she will submit this to Council as a recommendation from the Pension Advisory Committee. The Pension Advisory Committee was all in favor of recommending the Act 44 Disclosure from to Council for adoption. Chuck said another part of Act 44 is there is an election form that needs to be completed and signed by the Chief Administrative Officer at the end of October. It's basically a follow up and what remedies you are electing. You can now elect to smooth up to 130% of assets instead of 120%. We chose not to do that and kept the language at 120%. For a two year period you can choose to only pay 75% of the amortization portion of the amount. This group has chosen not to do that. That's what is going on right now; do we want to discuss those provisions? Jack said let's keep it the same as what this group decided previously.

6. **2011 MMO** – Cathy said the 2011 MMO are your true numbers which she brought to you before as a preliminary. Nothing has changed. Next year's MMO for the uniformed plan is $183,105.00; non-uniformed plan is $91,646.00. Chuck will be doing the valuation next year. Chuck said we'll see what happens in the next couple of months. When we do smoothing, we're going to pick up a bigger chunk of the 2008 loss. There may be modest cost increases next time along. We're not allowed to use that 2011 anyway, and the only way we can use it is in 2012. Cathy said what you'll probably see is on line 5 on your amortization payment. That's where it's going to show up. Priscilla said the parts where the Township residents have to pay. Cathy said state aid was budgeted at $153,000, and we're getting $148,000. For 2011, it will probably be in the $150 per unit range. Chuck said 2010 was also based on 2009 valuation. The 2010 amount for the police instead of $183,000, it was $177,000 and this was because of an increase in payroll. The non-uniform for 2010 was $93,000 and this year it's $91,000 and that's basically because the administrative employees are contributing now. Jack said the non-uniform MMO is down $2,000 and the uniformed MMO is up $5,000, so the next increase is about $3,000? Priscilla said it's her position that the taxpayers pay enough. If there are a lot of benefits the employees get, they should be contributing to the fund. Before they really weren't, now the administrative people are paying so that's dropping that number down a little bit. The non-uniform employees are not, so she feels that what's fair is fair. Jack said the MMO is what the Township has to contribute and that's what's in our budget. Normally, this time every year, Chuck brings the MMO for the next year and that has to go to Council for approval and adoption by the end of September. We bring it to this group and get a recommendation and take it to the next Council meeting. Recommendation by the Pension Committee to bring this to Council for their consideration and approval at the September 15th Council meeting. All in favor.

7. **R. Jacoby – COLA Increase** – Cathy said Officer Jacoby retired two years ago and his Cost of Living Index increase based on the CPI is 1.8%.

8. **Financial Reports** – Cathy said she presents the Financial Reports every quarter just to verify we are putting back the money that is taken out by PSAB for their administrative fees. We are up-to-date.

9. **Settlement Filings –** Cathy said we received no settlements other than what's listed below:

a. HealthSouth Corp. Uniformed Plan – September 20, 2000 to March 18, 2003
b. Comverse Technology – April 30, 2001 – January 29, 2008
c. Red Hat Inc. Securities – December 17, 2002 to July 12, 2004

10. **Approval of June 9, 2010 Meeting Minutes** – The Pension Committee approved the minutes. Jack said they will be put under the Township website under Finance.

11. **Set date for next meeting – December 8 @ 11:00 AM**

12. **Adjournment** – The time was 12:21 PM.