

---

Lower Saucon Township  
Pension Advisory Committee Meeting

Meeting Minutes

December 12, 2012

---

**Roll Call: Present** – Molly Bender, Mary Curtin, Cathy Gorman, Director of Finance, Priscilla DeLeon, Council Liaison, and Chris Cap, PSAB Vice President. Absent: Chris Leidy, Lou Mahlman and Jack Cahalan, Township Manager

Cathy Gorman stated that Chris Cap was on route and will be late. They would continue with the agenda items and come back to the MRT report when Chris arrives.

**1. Financial Reports**

Cathy said the administrative fees that are reimbursed to each plan on a monthly basis are provided in your packet. We have \$10,573.32 which has been reimbursed into the Non Uniform plan and \$29,314.30 into the Uniform plan to date. We recently got the October one done, but I didn't want to amend this after I sent it out. Molly said are we over budget on that since we had the total for 2012. Cathy said we are not over budget on the administrative fees. I typically budget \$60,000 for fees and actuarial fees. Cathy said December doesn't hit until January, therefore I want to make sure it is reflective on the statement. I want to show the difference because how much in administrative fees was collected will show, but on the actual statement it will only show the full amount. I am including December so it ties out.

**2. COLA Increase**

Cathy said we do this so we have on record who in the Uniform plan is getting COLA increases. Mary said tell me who they are. Cathy said Mr. Sfreda is getting a 1.7% increase, which he is now at 22.6% and Mr. Young and Mr. Jones are each getting 2%. Mr. Young is at 6.4% total and Mr. Jones is at 7.8%. Molly said is that capped off. Cathy said yes, when they reach 30%. The policy was previously discussed how that COLA increase is determined. The normal is the Social Security index and that is what it is based off of, meaning, whatever Social Security determines is the increase, that's what they get. Mary said they don't get Social Security do they. Priscilla said no. Cathy said they do get Social Security. Our plan has a Social Security offset and our pension amount is offset by that. The police can have it two different ways; if you opt out of Social Security, then your pension plan is to cover it 100%. Ours has the offset percentage. Priscilla said if they take another job and they have other quarters in, does it only affect social security that what they would ordinarily get is offset by their pension and is not in addition to. Cathy said no, it is not in addition to.

**3. 2013 MMO Approval**

Cathy said we did receive \$182,381.59 in state aid for 2012, which is allocated based on our policy as determined by the AG385. Mary said did you anticipate that much. Cathy said actually, it is about \$30,000 more and both plans were paid on time. The Uniform plan MMO was \$255,343.00 and state aid was \$107,283.28. The municipal contribution is \$148,059.72. The Non Uniform plan MMO for 2012 was \$86,983.00 and state aid was \$75,098.31. The municipal contribution is \$11,884.69. We brought the 2013 MMO to the committee at the September meeting. Council approved it at the September meeting and it is encompassed in our budget that is for final adoption at their next meeting. The 2013 MMO for the Non Uniform plan is \$82,475.00 and \$258,715.00 for the Uniform plan. Mary said is that in the budget. Cathy said yes and I brought the budget in case anyone would like to see it.

**4. Act 44 Compliance filings**

Cathy said we received them from all our consultants and they have been updated on the website.

5. **Open Records Request**

Cathy said we did get an open records request. I honestly do not know who he is. I am beginning to notice that people file open records requests to try to get business. I would not be surprised if he is reviewing our pension and he might be a financial consultant. Molly said is this just an FYI. Cathy said yes, Jack signed it and, in a timely fashion, we sent out the information as required by law. I think it should be noted so if something does come in you should be aware of it. Priscilla said that is very nice for you to inform us like that.

6. **Settlement filings**

Cathy said we have not received any. There is a class action against Pfizer securities that names from October 31, 2000 to October 19, 2005 which, at some point, both our Non-Uniform and Uniform plans had investments in. After the lawyers are done and any settlements paid, we might get a check and that will go back into the pension fund.

7. **Approval of June 13, 2012, meeting minutes** –

All in favor.

Cathy said as of the last statement, we are meeting our actuary assumptions. I think we are not going to have too many surprises because next year, 2013, our actuary is going to do the Act 205 filling, and our MMO's are based on that and we are meeting our assumptions and in some cases exceeding them. Mary said is anyone retiring. Cathy said not that I am aware of. There is nobody at that age mark. Rich is the closest for Non-Uniform, but no one has given me any indication. Mary said Guy didn't retire. Cathy said no, for Uniformed he would probably be the next one and after that it would be Officer Roxberry, but he has a few years.

Meeting adjourned briefly waiting for Chris Cap.

8. **MRT Report-Chris Cap**

Chris said the latest asset statements were just mailed yesterday; therefore I imagine you do not have them yet. He said state aid is a significant amount year to date, but you are at 4.385263% through November 30<sup>th</sup>. There was a little pull back in the market right after the election and a lot of that has come back really strong. The picture I am going to show you is 1- 1.5 points higher now than what you are going to see today, but none the less it is still well above your assumption rates for your pension plan. For the Non-Uniform more of the same; asset growth is pretty significant at 7.65% ytd on this snapshot, of course your state aid has found its way into your account since our last meeting. There are no significant changes to report and we are really right on schedule this year. I am not aware of any accounts payables due to any of your retirees or any other obstructions, but I did see on your agenda that you do have cost of living adjustments. If you circulate that to us we will be sure to implement it. Cathy said Linda is waiting for them.

Chris said turning to the investment side, more of the same. You are up 7.65%. You are still in the balanced account for both the Police and the Non-Uniformed accounts. Since we last met, we did terminate NWQ due to some change in their management team. We did hire Herman Schafer Cullen at our October meeting to add more depth to the large cap value portion. They are down mildly because of the timing, when we brought them into the plan, and because of the pull back right around the election, but they are positive at this point in December. All of our managers are pretty close to exceeding their benchmarks, which is a positive and getting pretty good strength from the bond portion of the portfolio. The real story this year has been the real estate investment trust. We are up 20.09% ytd. It has added a lot of depth, is an exceptional performer, is adding a lot of dividend paying stocks to the portfolio, and has led the way for the 7.65% ytd.

The MRT subcommittee met this morning contemplating the market conditions. The opinion from Merrill Lynch is that we maintain our current weighting at this point. We are going to have another meeting in January to see how the fiscal cliff is addressed by Congress and what impact it has.

There is \$6.387 million dollars in excess cash. A lot of that is attributed to the state aid and the fact we had new plans come in. We are parking that money to the side to see if there will be any further pull back in the market. As I said, since Election Day, the market has really recovered in December, but if there is a pullback, we are keeping that money on the side to try to buy in low if people try to flee the market. We will find out in the next weeks what impact the fiscal cliff will have.

We are at 59% in total equity which is 33% of fixed income. We maintain that 4-5% range in alternative investments and cash is a little higher than normal, around 4%, but that gives a little more flexibility to anticipate what we see in the market and how we approach that.

The Trust itself is at a record level. We are in excess of \$172 million in assets. We have been around for 40 years and that is our highest point ever. The previous record was right around \$171 million. From that perspective, the trust is in a healthy robust position.

The fee structure should remain the same based on the managers and audited figures and there are no issues to report. Cathy said I would like reiterate we are meeting and exceeding our actuarial assumptions. I don't think there will be any surprises for next year's Act 205. Chris said what we are hearing from Merrill Lynch is that it is the start of another extended bull market. If you look at some of the indicators right now, equities will be the place to be in 2013. That is why with our allocations we are sticking at that 60% range. We might expand that because we see bonds falling out of favor and anticipate interest rates to move up. If that does occur, the expectation is that the equities market will respond with stronger performance. We are always focused on the assumption rate as it is the key indicator over a 10 year period. You are not going to always hit that assumption rate, but over a 2-3 year period, you like to because that is how we minimize your MMO. We have recovered since you first entered the plan and you are moving in the right direction. Our objective is that we would like to continue to maintain that momentum forward.

Cathy said to Chris, I want to show you the open records request. The gentleman asked for the last four quarters. I am not sure if he is doing a study or report or if it is a competitor, but that information was sent. Chris said it's from on State and 5<sup>th</sup> Avenue. What I have found with some of these conduits is they try to collect information and publish it for sale to other providers. You are a fairly sizable plan. Since we engage in a lot of bidding around the state, what we notice is, especially since Act 44, a lot more suitors come in to bid from Florida, Texas, and Minnesota, which in previous years, that simply did not occur. I think the world got a little smaller and information moves a little faster. Cathy said I mentioned earlier, if anything transpires with that gentleman, if or when he comes in, I will let the committee know. Chris said if we can assist you in any way of meeting the request I be more than happy to do that. Cathy said we did it already.

**9. Adjournment:**

The meeting adjourned at 11:30am until Chris Cap was present. Cathy reopened the meeting at 11:42am when Chris Cap arrived to discuss the MRT report. Final meeting adjournment at 11:50am.

**10. Next Meeting: March 13, 2013 @ 11:00 am**