

Warrington Township Pension Committee

Minutes for June 1, 2022 Meeting

The regular meeting of the Warrington Township Pension Committee was held at 2:00 pm. June 1, 2022 in the Neshaminy Room at the Warrington Township Building and Zoom. The members present were as follows:

Fred Gaines, Supervisor liaison
Ken Hawthorn, Police representative
Peter Kim, Finance Director
Joseph Kirby, (Chair) resident

Barry Luber, Township Manager
Vanessa Maurer, Supervisor liaison
Alexander Moldavsky, Police rep (alternate)
Amy Organek, non-uniform representative

Also present:

William Torre – Marquette Assoc.

1. Call to Order

The meeting was called to order at 2:18pm. Mr. Kirby began the meeting requesting a moment of silence and/or prayer in honor of Officer Stephen Plum Jr and his family.

Mr. Kirby also initiated a discussion about sending a letter recognizing and thanking Mr. Michael Simone for his 2 years of service volunteering with this committee.

Mr. Luber requested we shuffle the agenda since he had another engagement scheduled at 3:00pm and would not be able to attend the entire meeting.

2. Approval of Minutes

2.1. March 11, 2022 - Mr. Kirby motioned, seconded by Mr. Luber to approve the minutes for March 11, 2022. The motion passed unanimously.

3. 1st Quarter 2022 Performance Review

Mr. Torre reviewed the economy and our plans and performance. The first quarter has been rather volatile both in the market and the world. The Police plan return was around 9.0%, just below the policy index of 9.9%. The NUPP return was 9.0%, just under the 9.5% policy index.

Negative factors were exposure to Emerging Markets and Real Estate. Positive exposure factors were Higher Quality Equities, Value Tilt and Shorter duration credit

Mr. Torre said that Marquette has applied for a redemption from REEF to bring the allocation back in line with our investment policy. Proceeds should be available by the end of July. And will be reinvested in the assets the plans are currently underexposed to relative to target weights. He stated that it has recently been quite a challenging time for 60/40 investors.

Mr. Kirby asked if there are any managers they are currently concerned about. Sgt Hawthorn also asked if they have any managers on a watch list. Mr. Torre responded “no” to both questions and explained their process of when they put managers on watch and how they replace them.

Mr. Kirby requested a performance review of how opportunistic credit has performed since we voted it down for the next quarterly review.

4. 2022 COLA discussion

Mrs. Organek explained the 2022 COLA was approved by the Board of Supervisors for a 1% increase to both the uniform and non-uniform retirees. This was an ad-hoc COLA granted to be retroactive to Jan 1, 2022. Mr. Luber stated the increase was implemented in the June 1st pension checks and the goal was to have lump sum checks sent to the retirees this month to cover the time period of 1/1/2022 through 05/31/2022. This item is resolved.

5. COLA 2023

Sgt Hawthorn made a motion for the Pension Committee consider recommending a 3.5% COLA for Police Retirees for 2023; this was seconded by Ms. Maurer. The floor was then open for discussion. Sgt Hawthorn stated that the CPI for 2021 was 6.6% and 2022 was 8%. Since this is not a valuation and reporting year to the state, simply using 2022 #'s it is reasonable to expect the same cost of \$80,000 per 1% increase or approximately \$280,000 for the proposed 3.5% recommendation.

Sgt Hawthorn asked about the state aid component wondering if any portion is not used for the expense of the uniform pension plan. A discussion ensued to explain the state aid component only represents approximately 1/3 of the yearly expense and the remainder and largest portion of the expense is covered by the tax payers. Mr. Luber along with the help of Mr. Kim showed the budget line items of the General fund highlighting the total 2022 budgeted expense for both plans of \$1.417 million and the partial offset of combined state aid of \$500,000. Thus, \$917,000 of the expected cost for 2022 is predominantly tax revenue from the general fund. (NOTE: currently uniform employees have a 5% payroll deduction and non-uniform employees have a 2% payroll deduction to help fund the respective pension plans. These \$ are outside of the MMO calculation and in addition to the Minimum Municipal Obligation.)

John Vargo will be asked to update the numbers for up to 3.5% and a special meeting will be scheduled for this discussion. The motion was tabled until the special meeting scheduled for 06/30/2022 @ 2:00pm.

6. Current Plan Investments Discussion – (Michael Simone's work)

Since this was left in limbo but is an old business item the committee discussed delaying this until the next quarterly meeting with the plan that we will try to distill his work pages down specific questions to send to Marquette.

7. Pension Committee makeup and responsibilities

The discussion centered on the disparity between the composition of the committee(s) and the differing documentation as to the structure and voting authority for both pension plans. Mr. Kirby inquired about the difference between the documents that had been shared with the committee from the Township Manager's office. We discussed that we still do not have clarity

of what governing documents are in effect currently. Mr. Kirby stated that before we try to move forward, we need to have the basic question answered as to whether we currently have two different committees and what are the current ordinances in effect for each plan. A discussion ensued about possible preferences and the desire to fulfill the request from the Board of Supervisors about establishing a mission statement(s) and goals but was halted until Mr. Luber can provide the committee with answers. Mrs. Maurer commented that pushing back the deadline is necessary since we are still not certain about the current official makeup. This agenda item is deferred to the special meeting on June 30th.

8. Discuss Vacant Board Positions

There have been two potential candidates that have expressed interest however there was confusion about if the township had received their information. These applications and resumes, if available, will be forwarded for discussions at the special meeting in June.

9. Action Items

- 9.1. John Vargo will be contacted for updated numbers for the 2023 COLA proposal for the 2.5, 3 and 3.5% for consideration at the special meeting
- 9.2. Mr. Luber will research and ask the solicitor for clarification on the Ecode for the ordinance for the committee as well as get clarification on Act 600 COLA language.
- 9.3. Mr. Kim and Sgt Hawthorn will update the history chart and the pension board history will be incorporated into the pension binder.
- 9.4. Mr. Kim will attest to the accuracy of the history of the spreadsheet after conferring with Sgt Hawthorn and John Vargo from Conrad Siegel.
- 9.5. Mr. Luber will follow up with Jen Fielding, his admin assistant, to follow up on the candidate submissions for the vacant positions and ensure this information is circulated to the committee as soon as practicable.
- 9.6. Mr. Luber will verify what the incremental cost is for moving and readvertising meetings as well as the cost to advertise special ad hoc meetings so the committee can determine a more cost effective way to schedule the meetings.

Next Meetings –

There will be another special meeting which is scheduled for 2:00 pm, June 30, 2022 at the township building in person with ZOOM optional. This meeting is for the additional discussion on 2023 COLA, current ordinances governing these pension assets, committee composition and responsibilities, and possibly to discuss new volunteer candidates.

The next quarterly review was originally scheduled for 08/17/2022 has been rescheduled to 09/01/2022 at 12:00 pm at the township building in person with ZOOM optional.

Adjournment – 4:05 pm

Recorder: Amy Ogranek