

PENSION COMMITTEE
AGENDA
March 7, 2012
1:00 PM

1. INTRODUCTIONS
2. CALL TO ORDER / PLEDGE OF ALLEGIANCE / MOMENT OF SILENCE
2. CHAIRMAN WILL ASK IF ANYONE IS GOING TO RECORD THE MEETING
3. APPROVAL OF MINUTES
 - a. February 1, 2012
4. OLD BUSINESS
5. NEW BUSINESS
 - a. Execute contract with Victor Cozzone (Raymond James) To be handed out at meeting
 - b. Consider recommendation from Key Financial
6. PUBLIC COMMENT
7. ADJOURNMENT

draft
**EAST GOSHEN TOWNSHIP
PENSION COMMITTEE MEETING
February 1, 2012**

The East Goshen Township Pension Committee met at the East Goshen Township Building on Wednesday February 1, 2012 at 1:00 pm. Committee members present were: Deborah Beury, Giulio Perillo, Marty Shane, Paul Coleman and Mark Miller. Others present were: Rick Smith, Township Manager, and Victor Cozzone, Financial Advisor with Raymond James.

1. Call to Order, Pledge of Allegiance and Moment of Silence

Giulio called the meeting to order, led those present in the Pledge of Allegiance, and asked for a moment of silence to remember our troops.

2. Minutes

The Chairman noted that the minutes of the January 4, 2012 meeting were approved as corrected.

3. Recording of Meeting

Giulio asked if anyone present would be recording the meeting. There was no response.

4. Old Business

5. New Business

A. Giulio reported that he received a letter from Rick Smith stating that the Board of Supervisors appointed the Pension Committee as trustee of the Defined Benefit Plan. Giulio made a motion to make Giulio and Mark trustees of the old Defined Benefit Plan. Marty seconded the motion. The motion passed unanimously.

B. Post Employee Benefit Trust – Rick explained that this is a fund where money is set aside by the township to pay employee costs for medical insurance. The township is not self-insured. Blue Cross is the medical insurance provider. When this was discussed at a recent Board of Supervisors meeting, a resident, Joe Buonanno who works for a large financial firm, suggested that the township purchase stop-loss insurance instead of investing the funds. The Pension Committee was asked to consider Mr. Buonanno's recommendation.

Victor Cozzone explained that stop-loss insurance might be needed if the township was self insured and it would be separate from the trust. But, since the township is not self-insured, this isn't needed. He pointed out that under the new healthcare law, in 2014, the maximum lifetime limit under medical insurance policies is being eliminated, so there will be no more lifetime limits. After further discussion, it was decided that a letter would be sent to the Board of Supervisors stating that, after considering all options, the committee feels that Mr. Buonanno was mistaken about the purpose of this

1 trust, and recommend that the Pension Committee be appointed as trustee of the Post
2 Employee Benefit Trust.

3
4 C. Victor's contract was reviewed by the Township Solicitor. The attachments and
5 his biography/resume are still outstanding and need to be received as soon as possible.
6

7 D. The Committee reviewed the Financial Statements as of December 31, 2011
8 provided by Thomas J. Anderson & Associates for the Non- Uniformed Pension Plan (old
9 plan) and the Non-Uniformed Defined Contribution Plan (new plan as of 1/1/12). They
10 also reviewed a Historical Investment Performance provided by Deb for the old Non-
11 Uniform plan with Key Financial, the Firefighters plan with Key Financial and the new
12 Non-Uniform plan with INR. Marty pointed out that there is a large difference in returns
13 between Key Financial and INR. He would like a comparison from 1999 to the present of
14 the S&P and the current funds in the plan. Giulio would like to have Key Financial and
15 INR come to the May meeting to review the investment returns for the 1st quarter of
16 2012 for both plans. Also, the committee would like detailed portfolios for both plans.
17 Rick administers the Firefighters plan.
18

19 There being no further business to discuss, Marty made a motion to adjourn the meeting. Mark
20 seconded the motion. The motion passed unanimously. The meeting was adjourned at
21 2:15 pm. The next meeting will be held on Wednesday, March 7, 2012 at 1:00 pm.
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23 Respectfully submitted,
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26 Ruth Kiefer, Recording Secretary
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KEY FINANCIAL, INC.

Wealth Management With Wisdom & Care
1560 McDaniel Drive, West Chester, PA 19380

Patricia C. Brennan, CFP®, CFS
President
610-429-9050
Fax: 610-429-9279
pbrennan@keyfinancialinc.com

RECEIVED
BY: _____

FEB 9 2012

January 25, 2012

Mr. Louis Smith, Jr.
East Goshen Township
1580 Paoli Pike
West Chester, PA 19382

Dear Rick:

We are taking this opportunity to rebalance and reinvest extra cash in your portfolio from bond maturities. Based on your overall portfolio, I'd like to recommend the following:

East Goshen Twp. Fire Company Account No: 11119539

Redeem	CASHL	-26000	Cash Lumped
Buy	BOND_TAX	26000	Individual Taxable Bonds

East Goshen Twp. (Non-uniformed) Account No: 11149538

Redeem	CASHL	-41000	Cash Lumped
Buy	BOND_TAX	41000	Individual Taxable Bonds

If you agree with these recommendations, please sign the bottom of this letter and return it to us.

Thank you again for your continued confidence in our firm. Should you have any questions regarding the recommendations, please feel free to contact me at 610-429-9050.

Sincerely Yours,

Patricia C. Brennan, CFP®, CFS
President

PCB/glr
Enclosures

I agree with the above recommendations and authorize Key Financial to execute the trades.

Louis Smith, Jr.

Date



FYI

Pa.'s pension debacle raises fears of higher taxes

Unfunded mandate of \$40 billion has to be dealt with regardless of what decisions are made

By ERIC BOEHM
PA Independent

HARRISBURG — With Pennsylvania facing a \$40 billion unfunded liability for public pensions, lawmakers said their constituents are starting to ask them questions and demand answers.

And those questions, in turn, were directed at the heads of the state's two pension systems — the State Employees Retirement System, or SERS, and the Public School Employees Retirement System, or PSERS — who were before the House and Senate Appropriations committees on Thursday for a pair of budget hearings.

"Constituents are coming to us and they are frustrated about this situation, and they can't afford to pay any more taxes," said state Rep. Scott Petri, R-Bucks.

Petri asked the pension fund directors if the state could address pension costs by switching to a defined contribution plan for future employees and "take the bullet" on the existing unfunded liability.

The pension fund directors warned that such a transition will be costly if the unfunded liability is not eliminated first.

"Each time you switch to a new tier of benefits, you can't take care of the unfunded liability without satisfying it," said David Durban, executive director for SERS.

In a defined benefit system, pensions are calculated based on a formula that includes years worked and highest salary. In a defined contribution plan, the pension is the result of contributions made over time by the employer and employee, but is not tied to a specific formula.

State contributions to a pair of public pension funds will increase by 600 percent in the next five years. The costs will continue to grow for the next decade, as the state makes up for a decade of underfunding the pension systems and the investment losses of 2008.

Because courts have ruled that benefits earned by current or retired workers cannot be changed retroactively, any changes to the pension benefits would apply only to future hires.

Under the current system, the unfunded liability can be paid off indefinitely, since there will always be new workers joining the system and the state will continue making contributions to the funds as well.

PSERS is facing a \$26.5 billion unfunded liability, which accounts for about 30 percent of the fund's value. SERS has a \$12.5 million unfunded liability, which is also about 30 percent of the fund's value, because the overall size of the fund is smaller.

If the General Assembly voted to create a defined contribution system for new hires,

the current unfunded liability would have to be paid off before the last current worker in the system retires, probably in about 30 years or so, said Jeff Clay, executive director for PSERS.

"You need to accelerate the recognition on that unfunded liability, so instead of reducing employer contributions in the short to midterm, you have to increase them," Clay said.

State Rep. Joseph Markosek, D-Allegheny, minority chairman of the state House Appropriations Committee, said the best course of action was to let the funds recover from the investment losses of 2008 through the current reforms.

Petri said an immediate conversion to a defined contribution plan is not feasible, but suggested that should be the ultimate goal after the systems are returned to full funding.

However, that will take decades.

PSERS and SERS project that based on current contributions and expected investment growth, the unfunded liability will not be paid off until after 2040.

Though it will cost more in the short term, switching to a defined contribution plan will save the next generation of taxpayers from having to pay off the liability, said Frank Keegan, a pension fund expert with State Budget Solutions, a non-partisan national policy center

that advocates for budgeting reforms.

"What you have now is a system of perpetual debt that will always grow forever," Keegan said. "Even if you froze pension plans right now, you would have to pay that off. Problem is, if you don't, it will just keep growing."

The state's contribution to the two pension plans is increasing by more than \$300 million in the newly proposed budget, up from \$705 million last year to more than \$1 billion in the fiscal year that will begin in July 1.

By the fiscal year that begins July 1, 2016, Pennsylvania will be paying more than \$4.2 billion combined to the two pension systems. That's an increase of 600 percent in just six years.

State Rep. Mike Peifer, R-Pike, said the state had failed to meet its obligations in the past decade, while employees continued paying into the fund and the investments exceeded expectations in most years.

"Bottom line, it looks to me like the third part, government, is not funding its obligation like it should be to its employees," he said.

And while strong investment returns would help defray some of the cost, it is "virtually impossible" to make up the \$40 billion combined unfunded liability through investment returns alone,

said Anthony Clark, chief investment officer of the SERS board.

Corbett's budget also proposes eliminating the Public Employees Retirement Commission, or PERC, which provides independent actuarial analysis to the state pension funds and oversight to the 3,000 local pension systems statewide.

The state-level functions of PERC will be taken over by SERS and PSERS, while the local oversight will become the purview of the state Department of Community and Economic Development.

State Sen. Jim Ferlo, D-Allegheny, said he was concerned about the proposal, which could limit independent review of SERS' and PSERS' numbers.

"I hope the majority here will understand that this is an issue," he said. "I'm not clear what the impetus or the actual benefit is."

Clay said the pension systems were waiting for more information on what new responsibilities they would have.

"There are some cost savings here, but what is sacrificed is that you lose an independent agency to look at these things," he said.

Durban said PERC's annual evaluations of the SERS fund was "a useful tool," but needed more information from the administration about the planned changes.

BOARD OF SUPERVISORS
EAST GOSHEN TOWNSHIP
CHESTER COUNTY
1580 PAOLI PIKE, WEST CHESTER, PA 19380-6199

FYI

March 1, 2012

Dear Property Owner:

The purpose of this letter is to inform you that Camp K-9 Paradise for Paws, LLC, has submitted a Conditional Use application to operate a Kennel / Dog Daycare Operation at 1303 West Chester Pike, formerly the Benjamin Moore Paint store. The property is located in the C-1, Community Commercial Zoning District, where kennels are permitted by conditional use pursuant to §240-14.C.(12) of the Township Zoning Ordinance.

Pursuant to Township policy, property owners within 1000 feet of the subject property are notified of Conditional Use applications.

The meeting dates and times scheduled for the review and discussion of this application are outlined below and subject to change.

March 7, 2012

Planning Commission meeting (workshop at 7:00 pm, formal meeting @ 7:30 pm)
(Presentation of Application)

April 4, 2012

Planning Commission meeting (workshop at 7:00 pm, formal meeting at 7:30 pm)

April 17, 2012

Board of Supervisors meeting (7:00 pm) **(Conditional Use Hearing)**

The hearing will be held at the Township Administration Building, 1580 Paoli Pike, and are open to the public. The application is available for public review during normal business hours at the Township Administration Building. If any person who wishes to attend the hearing has a disability and/or requires an auxiliary aid service or other accommodation to observe or participate in the hearing, he or she should contact the Township at 610-692-7171 to discuss how those needs may be accommodated.

Please give me a call or email me at mgordon@eastgoshen.org if you have any questions or need additional information.

Sincerely,



Mark A. Gordon
Township Zoning Officer

Cc: All Township Authorities, Boards and Commissions