

PENSION ADVISORY BOARD/HEALTH & WELFARE BOARD OF TRUSTEES
JUNE 8, 2016
QUARTERLY MEETING

The Pension Advisory Board/Health & Welfare Board of Trustees, met for their Quarterly Meeting on Wednesday, June 8, 2016, 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: Supervisor Greg Waks, Trustee; David G. Kraynik, Vice Chairperson; Thomas Minger, Jr. Others present were: Bill Daywalt, Non-Uniformed Representative; Sgt. Andy Fidler, Police Representative (arrived late); Sara Evans, HR Director; Nick Hiriak, Finance Director; Mark Lasyone, Regional Manager, ICMA-RC, Eugene Espinosa, Retirement Plan Specialist, ICMA-RC. Eric Medrow, Chairperson and Police Chief Tom Nolan were absent.

MEETING MINUTES:

It was moved by Mr. Waks, seconded by Mr. Daywalt, all voting "Aye" to approve the May 11, 2016 Meeting Minutes as submitted. None opposed. Motion approved 4-0.

PRESENTATION BY ICMA-RC WITH MARK LASYONE AND GENE ESPINOSA
RE: BRIEF OVERVIEW OF NON-UNIFORM PENSION PLAN INVESTMENT
DEMOGRAPHIC

Mr. Gene Espinosa, ICMA-RC, Retirement Plan Specialist, stated at previous meetings questions were raised as to whether or not the percentage of assets in the 401 and 457 plans were disproportionately invested in the conservative funds. He offered assurance that is not the case and said the money that is invested here is appropriate for the percentage in the conservative funds not only for the entire account but per age group.

Mr. Mark Lasyone, ICMA-RC, Regional Manager, indicated they will also discuss the fact that ICMA-RC has an additional level of service separating ICMA-RC from their competitors in that they offer the availability of a certified financial planner. The certified financial planner is available not only as part of the education team for presentations but also for individual sessions with plan participants. At the request of the employee, the certified financial planner can sit down with them and do a full blown financial plan at no charge. The certified financial planner is a salaried employee of ICMA-RC and can give objective investment advice. His role is different but yet compliments the role of the

retirement plan specialist. Mr. Lasyone noted Jason Atwater has replaced Jeff Kaplan as certified financial planner.

While Mr. Lasyone was pulling up the information on Upper Merion's 401 Plan Asset Allocation, Mr. Espinosa provided an overview of his analysis of the local accounts and how Upper Merion compares in size and nature with some of the nearby municipalities. In looking at the different accounts compared to Upper Merion the percentages that are in the Plus Fund are pretty much in line.

In response to Mr. Minger's question, Mr. Espinosa stated if participants do not choose a fund they are automatically enrolled in the target date fund. He said those who are in default which is very rare stay in the target date fund.

Mr. Lasyone reviewed Upper Merion's 401 information which remains steady and indicated U.S. Stock as of March 31, 2016 was 35.35% compared to the same time period last year at 35.87%. The rest of the plan allocations are pretty much in line with statistics nationally.

Mr. Lasyone stated he considers the 401 to be the primary plan and the 457 since it is voluntary [for non-uniformed employees] the secondary plan. Participants in the 457 participants are using less of the Stable Value and the argument can be made for being more conservative with their 401, but for many the 401 would be their primary plan for retirement in lieu of a defined benefit pension plan. Mr. Lasyone indicated 457 participants are utilizing the investment choice to a larger extent with a Stable Value percentage in 2015 of 21% versus 28% nationally and a percentage in 2016 of 23% versus 29% nationally.

Mr. Espinosa discussed the Cash Management Fund and said he tries to steer people away from Cash Management since it is returning to zero currently. He pointed out the Plus Fund is at 1.8%.

Mr. Minger asked what percentage is cash management versus stable value. Mr. Lasyone responded it would be almost negligible.

Mr. Lasyone said if someone is in cash management it is almost by accident. Mr. Espinosa commented there are some people who want to be in cash value and do not want to be in the Plus Fund.

Mr. Minger indicated he would like to see the list of fees we are paying. Mr. Lasyone responded he will provide a copy of the PSR's and responded to questions regarding basis points and the way they are invested in the plan.

Mr. Minger asked if fees would increase if Vantage Point funds are not used and if we get a discount because we are using all Vantage Point funds. Mr. Lasyone responded we are not using all Vantage Point funds; there is a mix of the two. He said if someone chooses not to use the Plus Fund and our target

date funds because they get a little bit of investment advisory revenue, they have to increase the price. Mr. Minger said that is why he asked.

Mr. Minger stated much has changed through the industry and he was curious if there is anything we are missing in break points that we should be aware of that would help manage fees and costs. Mr. Lasyone responded in the negative. He said sometimes they do an administrative allowance because they will pass back a portion of the revenues, but it is usually to cover costs. Mr. Minger noted that does not apply to Upper Merion.

Mr. Lasyone pointed out the basic Morningstar breakdown of the 9 different style boxes and the fact that we have not only Vantage Point choices but also brand name choices generally within most of the style boxes. For the target risk and target date there are 14 different investment choices which are specialized funds.

Mr. Lasyone stated Jason Atwater has replaced Jeff Kaplan as Certified Financial Planner. He discussed Mr. Atwater's role as CFP and said he is the second member of the two member team in terms of education who is available for premium plans and there are a number of things he can provide as part of his services. In addition to the group presentations he can do the full blown comprehensive financial plans. An individual can sit down with him and run through every aspect of their finances from risk management to tax situations to estate planning to the full blown retirement workup. A wide variety of seminars and workshops are available facilitated by either the Retirement Plan Specialist or CFP. Mr. Lasyone pointed out ICMA is well known for their educational services and is another reason it separates ICMA-RC from its competitors.

Mr. Espinosa mentioned a full comprehensive financial plan is available to plan participants at no charge and they can have it updated as often as desired.

Mr. Lasyone pointed out the least expensive full comprehensive plan would normally cost an individual about \$1,500 on the outside and having it at no charge is a valuable resource for ICMA-RC plan participants.

Mr. Minger asked if there is any follow up with individuals after the comprehensive plan or if it is up to them to figure it out and take the next step on their own. Mr. Espinosa responded the majority of people who have a plan done really want asset allocation and they want to know if they are on track for saving enough for retirement. It is not for insurance purposes. The main thrust of the comprehensive plan is to see if plan participants are on track and they can call the certified financial planner any time.

Mr. Lasyone said plan participants generally schedule follow up appointments and it is not unusual for them to do so on an annual basis.

Mr. Espinosa pointed out the seminars available are divided into career stages from early to mid-career to nearing or in retirement. He mentioned one of the popular subjects recently has been social security which has been presented every year. Mr. Espinosa stated ICMA-RC has a service now where an individual can approach the financial planners to find out the best strategies for taking social security, for example, for married couples. He explained ICMA-RC uses a proprietary software system to determine the best way to structure their payout. It is possible to sit down with the employer to find out which presentations they believe would resonate with the employees.

Mr. Kraynik offered his congratulations to Gene Espinosa on his imminent retirement and expressed appreciation for his 14 ½ years of service to the Upper Merion Township account.

ADDITIONAL BUSINESS

NEW BUSINESS: None

OLD BUSINESS: None

ADJOURNMENT

Without further business by the Pension Advisory Board, the meeting adjourned at 6:26 p.m.



David G. Kraynik
Township Manager and Vice Chairman

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Minutes Approved:
Minutes Entered: