

WEST WHITELAND TOWNSHIP
PENSION ADVISORY BOARD MINUTES
July 28, 2021

Members Present

Tom Belisari
Chris Bamber
Denise Bailey
Jeff Glisson

Township Staff Present

Mimi Gleason, Township Manager
Pam Gural-Bear, Asst. Twp. Manager
Beth Jones, Finance Director
Caroline Partridge, Accounting Manager

Kurtis Rainey (Police representative)

Marie Guarnere (Non-uniform employee representative)

Supervisors Present

None

The meeting was called to order at 9:07 A.M. The meeting was a hybrid with participants attending both in person at the Township Building and on-line via Zoom.

1. Approval of Minutes – April 28, 2021

Mr. Belisari requested the Minutes be changed from "Federal Administration" to "current Administration".

MOTION: To approve the April 28, 2021 Minutes, as amended.

ACTION: The motion was unanimously approved.
(Bailey/Bamber)

2. OPEB and Pension Plans performance review (Bikram Chadha, PFM)

Bikram Chadha, Director of PFM, announced that U.S. Bank will be acquiring the Asset Management portion of PFM. The PFM Asset Management name will be retained, the Philadelphia office and all existing teams will remain intact but will benefit for the deeper pocket of U.S. Bank in terms of need for capital and liquidity. The Financial Advisors portion will remain as the PFM Group.

Mr. Chadha was happy to advise that second quarter results showed a 7.96% return with the new ESG lineup, compared to essentially the same return, 8%, under the previous investment lineup.

Mr. Chadha then presented an overall view of the markets, noting that the recovery from the COVID-19 pandemic continues. Value trend is expected to return as policy is normalized, but it is not there yet. Domestic equity returns are showing a 15.17% YTD return with Large Cap outperforming Small Cap. The continued uncertainty surrounding the Delta variant will continue to impact the markets.

The International market was weaker than Domestic but still up over 7% YTD. The Alternatives index showed a YTD return over 12%. Fixed Income was up 2.5% this past quarter. Mr. Chadha

said supply chain constraints pose a potential bottleneck as corporations try to realize revenue as demand for many items continues to outpace supply.

Noting that interest rates on the 10-year Treasury had been going up, Mr. Belisari asked what changed to cause them to go back down. Mr. Chadha said there are questions regarding whether the recovery can be sustained with the threat of the Delta variant as well as International investors pushing rates down as they seek a safe haven for their money and buy-up 10-year Treasuries.

Current market themes show reopening continuing with increased spending in the services sector – people returning to restaurants, hotels, and airline travel. Mr. Chadha emphasized that there is still a long way to go with the pandemic, citing that only 48% of Americans have been vaccinated. Only the United Kingdom has a higher vaccination rate, leaving the rest of the world with large unvaccinated populations. However, consumer confidence remains elevated. Unemployment continues to come down and is mostly driven by a return of employees to the leisure services and hospitality industries. Construction costs of new homes continues to climb with the average home construction cost up 25%, year-over-year. Manufacturing has slowed with supply chain issues.

Mr. Chadha said the PFM investment committee believes the current inflation is transitory in nature with the biggest increase in the used cars/truck market but believes this will come down as semi-conductor chip supplies return (for new vehicles). Ms. Bailey pointed out the chip issue is expected to be long term. Mr. Chadha agreed but noted that semi-conductors are just a small part of the overall “basket” that encompasses the Consumer Price Index (CPI), and other items included in the CPI off-set the semi-conductor pricing and supply issues. He added that PFM projects we will see inflation at rates of 2 to 3% in the coming year(s) and does not believe we will continue to see 5.9% inflation, as we have recently, month after month.

Mr. Belisari and Mr. Glisson expressed concerns with the Fed’s policies regarding mortgage rates and continued stimulus and child credits. Mr. Chadha responded that the current recovery is still fragile and the economic positives are a result of federal intervention. Should the Fed raise rates now, the markets would likely sell off, but he acknowledged that it is time to start discussions of how much longer stimulus efforts should continue.

OPEB and Pension Plans - Performance:

Mr. Chadha then reviewed the Police Plan showing 5.63% current quarter returns and 7.96% YTD. Domestic outperformed International as expected, and the investment in real estate shares continue to diversify the portfolio. The Non-Uniformed Plan and OPEB Trust performed similarly.

3. Review of Discount Rates for Plans and Trust (John Vargo, Conrad Siegel)

Mr. Vargo provided a brief background of the work that Conrad Siegel does for the Township including compliance with the PA Auditor General requirements, plan administration, and actuarial work (budgeting and funded ratios).

Mr. Vargo provided a comparison of interest rates for the Police and Non-Uniformed plans showing what the estimated MMO, state aid, and Township obligation would be using a variety of discount rates. Mr. Vargo explained that the “asset smoothing method” employs a 5-year average of the

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market's returns rather than the value on a given date, thus "smoothing" out the volatility of returns.

All three plans are well funded. Mr. Vargo noted that the Township has been "ahead of the curve" when compared to similar municipalities. There are no funding requirements for the OPEB Trust which currently has a surplus of \$300,000.

Ms. Jones explained that the Township has done a lot in the last six years to improve the standing of the pension plans including:

- decreasing the interest rate from 7.5% to 7%
- initiated the OPEB Trust which is fully funded as of 2020
- increased salaries to meet current market rates
- paid out accrued time for police officers and eliminated that liability going forward.

She said the Township would now like to focus on staffing goals. Ms. Gleason said if revenues allow, they would like to increase non-uniformed staff from the current 35 to 41/42 (some of the new hires would be part-time and not eligible for a pension). Uniformed personnel would increase from 26 to 28. Ms. Bailey noted the current difficulty filling police positions. Ms. Gleason said if no qualified applicants were interested, the Township would wait to hire.

Mr. Bamber said the discount rate discussion was an important one to have for informational purposes and agreed that staffing goals should be considered.

Adjournment

The meeting adjourned at 10:38 a.m.

Respectfully Submitted,



Beth Jones,
Recording Secretary