

**Police Pension Fund
Board Minutes
Of
November 8, 2007**

PRESENT: Thomas M. McMahon, David M. Cituk, Kevin L. Rudy, William Heim, Michael A. Fizz, Louis R. Rizzuto (Solicitor), Toyia Reed (HR Coordinator/Pension), Officer Troy Heiser, Captain Edward Kosmerl, Councilman Stratton Marmarou, Harry Storch (Retiree), C.I. Randy Organtini, Officer Michael Dobrosky

ABSENT: Ryan Hottenstein

ORDER: Meeting was called to order by Mayor, Thomas McMahon @ 10:02 A.M.

PRESENTER: **1. Roger Barilani – Wachovia Securities**
Re: 3rd Quarter Portfolio Performance Review
 Mr. Barilani informed the Board the current portfolio value is \$78.8 million. On the Equity side of the portfolio; the S&P was up 2.0% for the third quarter. The Russell 1000 Growth was up 4.2% for the quarter. Neuberger Berman was up 6.5% for the quarter. Navellier was up 12.5% for the quarter. NWQ was down 1.1% for the third quarter. The benchmark was down 0.2% for the quarter. Sovereign was up 3.1% for the quarter. The newest member of the portfolio, Wentworth International, started on August 16, 2007, was up 17.5% for the third quarter. On the Fixed side of the portfolio; Invesco was up 3.5% for the third quarter. Furman Selz was up 3.5%. Allegiance was up 3.1%. They all beat the benchmark; which was up 2.9% for the third quarter. Mr. Barilani presented the members of the Board with a Current vs. Strategic Allocation report. This report first represented the current 50/50 asset allocation which would yield an average return of 7.0% and a downside risk of -8.3%. The report then represented the suggested 60/40 asset allocation (60% Equities & 40% Bonds) which would yield an average return of 7.9% and a downside risk of -10.3%. Mr. Barilani recently spoke with the actuary for the Police Pension Board who informed Mr. Barilani that the assumption is at 7.5%. Mr. Barilani recommends that the board readjust their asset allocation to the 60/40 split to accomplish the 7.5% average return as stated in the current actuarial valuation report. **MOTION** by Rudy/Fizz to readjust the Investment Policy Statement's asset allocation with the 60/40 proposal and have Mr. Barilani come back next month (December) with a list of Small and Mid Cap ...**MOTION PASSED UNANIMOUSLY**

MINUTES:

MOTION by Heim/Fizz to approve the minutes dated October 11, 2007.....**MOTION PASSED UNANIMOUSLY**

FINANCIAL REPORTS:

MOTION by Cituk/Fizz to approve the following financial Reports ...**MOTION PASSED UNANIMOUSLY.**

Financial Report	October 2007
Statement of Transactions	October 2007

BILLS:

MOTION by Cituk/Fizz to pay the following bills.....
MOTION PASSED UNANIMOUSLY.

- | | |
|-----------------------------|-------------|
| 1. Lou Rizzuto – Legal Fees | \$ 1,291.25 |
| 2. Milliman | \$ 8,055.00 |

APPLICATIONS: None

D.R.O.P.

APPLICATIONS: None

REFUNDS:

MOTION by Heim/Fizz to approve the following application for a refund...**MOTION PASSED UNANIMOUSLY**

Name: Zachary Guziak
Amount: \$979.04

CORRESPONDENCE:

1. Milliman, Consultants & Actuaries

Re: City of Reading Police Pension Plan - COLA

A copy of the cost of providing a COLA to certain retirees and beneficiaries of the City of Reading Police Pension Plan was presented to the members of the Board. The members of the board requested that Mr. LaMontagne research the cost to provide a COLA based on the ad-hoc increases provided effective January 1, 2001; based on five (5) year categories: Prior to 1/1/1980, 1/1/1980 – 12/31/1984, 1/1/1985 – 12/31/1989, 1/1/1990 – 12/31/1994, 1/1/1995 – 12/31/1999. In referencing the Consumer Price Index – Urban, One scenario presents the increases would range from 1.99% - 13.16%. This scenario would increase the plan liabilities by \$1,540,000. This will increase the plan’s actuarial accrued liability by 1.7% and will increase the plan’s unfunded actuarial accrued liability by 21.7% from \$7.09 million to \$8.63 million. This increase in liability will be amortized over a ten (10) year period, as required under state law, which will increase the Minimum Municipal Obligation by \$209,000 each year for

the next ten (10) years. A second scenario presents the COLA increases range from 1.99% - 19.32%. This scenario will increase the plan liabilities by \$2,113,400. This will increase the plan's actuarial accrued liability by 2.4% and will increase the plans' unfunded actuarial accrued liability by 29.8% from \$7.09 million to \$9.20 million. This increase in liability will be amortized over a ten (10) year period, as required under state law, which will increase the Minimum Municipal Obligation by \$286,500 each year for the next ten (10) years. **MOTION** by Fizz/Cituk to have Board Solicitor to research the legality of the issuance of the COLA scenarios as presented...**MOTION PASSED UNANIMOUSLY**

The Board has requested that Mr. LaMontagne appear at the next (December) Police Pension Board Meeting. **MOTION** by Fizz/Rudy to schedule Mr. LaMontagne along with Mr. Barilani to appear at the next Board meeting to answer questions regarding the issuance of a COLA...**MOTION PASSED UNANIMOUSLY**

2. Officer Matthew Hafer

Re: Civilian Buyback

Officer Hafer submitted a letter of intent to buyback five years of Civilian Service Via payroll deduction of \$25.00 per pay and a copy of the buyback calculation. **MOTION** by Cituk/Fizz to accept the correspondence as presented...**MOTION PASSED UNANIMOUSLY**

OLD BUSINESS:

2. D.R.O.P. Manual Update

Solicitor Louis Rizzuto stated he is near completion of all necessary corrections and additions to the DROP manual. He will place the document on a floppy disk for Toyia to print and distribute.

*****EXECUTIVE SESSION***
MEETING CLOSED 10:48 AM - 11:13 AM**

NEW BUSINESS:

1. Troy Heiser

Re: Calendar Year

FOP President, Officer Troy Heiser addressed the members of the Board regarding the issue of "Calendar Year". On May 29, 2007, the City of Reading and FOP Lodge #9 agreed to a settlement regarding active grievance 2005-13. Unfortunately eligibility for the settlement affects those Officers "DROPPED" on or after September 23, 2005. Officer Heiser is requesting that the current and appropriate calendar year calculation should apply to all applications for pension and for D.R.O.P. since the D.R.O.P. program was awarded (January 1, 2001). All those members whose Pension Benefits were calculated inappropriately since the D.R.O.P. was awarded should be made whole. Board Solicitor Louis Rizzuto stated

that the statute of limitation is six (6) years to file suit against the Board to obtain their pension calculation correction. Board Member Kevin Rudy was under the impression that the settlement was retroactive and would affect all people on pension.

MOTION by Heim/Cituk that the payment of calendar year retirement adjustment go back to January 1, 2001 as per the settlement between the City of Reading and the FOP Lodge #9...**MOTION PASSED 3 to 1** (Michael Fizz left the meeting before the motion was made) Kevin Rudy opposed the motion because he requests that the settlement should be made within the best interest of the retirees.

2. Kevin Rudy

Re: Board Elections

Board member Kevin Rudy requested that Toyia set up the Board Elections for both the Active and Retired positions on the Police Pension Board.

Toyia will research the policies and procedures in setting up the elections in an effort to obtain nominees for the open positions.

ADJOURNMENT: **MOTION** by Cituk/Heim to adjourn @ 11:38 A.M.

Respectfully submitted: Toyia S. Reed
HR Coordinator/Pension