

**Police Pension Fund  
Board Minutes  
Of  
December 14, 2006**

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**PRESENT:** David M. Cituk, Ryan Hottenstein, Kevin L. Rudy, William Heim, Louis Rizzuto (Solicitor), Toyia Reed (HR Coordinator/Pension)

**ABSENT:** Thomas M. McMahon, Toms Kampe

**ORDER:** Meeting was called to order by David M. Cituk @ 10:10 A.M.

**PRESENTER:** **1. Roger Barilani – Wachovia Securities**

**Re: Portfolio Performance Report**

Mr. Barilani informed the Board that the total value of the Police Pension Fund portfolio is \$48.1 million. Mr. Barilani reported to the Board that he was notified of a data entry reporting error on Invesco last (November) month causing him to incorrectly inform the Board that the 3<sup>rd</sup> quarter portfolio performance for Invesco was -2.3% vs. the Index of 3.2%. Invesco was then placed on the "Watch" list due to underperformance which was reported incorrectly. Actually, Invesco's 3<sup>rd</sup> quarter performance was 3.6%; which beat the Index and takes them off of the "Watch" list. Mr. Barilani apologized to both the Board and Invesco for the data entry error reporting last month. Board member, Kevin Rudy expressed his concern regarding some of the Equity managers within the portfolio whose numbers are not meeting the benchmark. He feels the Board has to maximize the investments of the Police Pension Fund. Mr. Barilani will provide a comprehensive performance report consisting of a 5 year history at the February meeting. Mr. Barilani introduced a representative from Invesco to provide a performance update.

**2. Fred Deserio - Invesco**

**Re: Portfolio Performance Report**

Mr. Deserio reported to the Board its portfolio performance on the Fixed Income Bonds. The total value of the portfolio as of November 30, 2006 was \$9.6 million. The portfolio performance was 4.7% vs. the Index of 5.1%.

**MINUTES:** **MOTION** by Rudy/Heim to approve the minutes dated November 9, 2006  
.....**MOTION PASSED UNANIMOUSLY.**

**FINANCIAL REPORTS:** **MOTION** by Hottenstein/Heim to approve the following financial Reports ...**MOTION PASSED UNANIMOUSLY.**

Financial Report	November 2006
Statement of Transactions	November 2006

**BILLS:**

**MOTION** by Heim/Rudy to pay the following bills....**MOTION PASSED UNANIMOUSLY.**

- 1. Louis Rizzuto \$1,041.25

**APPLICATIONS:**

None.

**D.R.O.P.**

**APPLICATIONS:**

**MOTION** Rudy/Hottenstein to approve the following DROP applications...**MOTION PASSED UNANIMOUSLY**

Name: Edward Delewski  
 Drop Entry: November 30, 2006  
 Drop Exit: December 1, 2011  
 Amount: \$3,404.76

Name: Frank Delewski  
 Drop Entry: November 30, 2006  
 Drop Exit: December 1, 2011  
 Amount: \$3,405.46

Name: George Hunsicker  
 Drop Entry: December 1, 2006  
 Drop Exit: December 2, 2011  
 Amount: \$3,404.76

Name: Francis F. Drexler  
 Drop Entry: December 1, 2006  
 Drop Exit: December 2, 2011  
 Amount: \$3,759.23

**REFUNDS:**

**MOTION** by Hottenstein/Heim to approve the following refunds due to their pension contributions being deducted by payroll in error upon their entry into the DROP program...**MOTION PASSED UNANIMOUSLY**

Name: Charles Broad  
 Amount: \$198.81

Name: Robert Schafer  
 Amount: \$158.13

**CORRESPONDENCE:**

- 1. Commonwealth of PA – Dept. of the Auditor General  
 Re: Evidence of Compliance  
 This letter states receipt of the check submitted by the Police Pension Fund in the amount of \$52,600, dated October 20, 2006, as evidence of compliance with Finding No. 1 contained in the City of Reading Police and Nonuniformed Pension Plan audit reports for the period of January 1, 2003 to December 31, 2004.
- 2. Memorandum from Sergeant Todd Trupp  
 Re: Retirement  
 Sergeant Todd Trupp submitted a letter to the Board stating his intent to retire on January 15, 2007.

**OLD BUSINESS:**

**1. Military Buyback Update**

The Police Pension Board is still awaiting a decision from City Council to amend the Police Pension Fund ordinance in order to correct the 15-7% to 15.7% typographical error.

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

The D.R.O.P manual cannot be updated and/or completed until the Police Pension Fund ordinance is amended and complete. Police Pension Board Solicitor, Louis Rizzuto discussed this matter with City Solicitor, Charles Younger and it will be addressed to City Council again.

## **3. Academy Instructor Pay**

Board member, David Cituk is still gathering information within a 3 year period in order to begin the process of issuing refunds to the individuals who have had pension contributions deducted from their Academy Instructor Pay.

## **4. Calendar Year – Issue was in arbitration; has it been settled?**

A copy of an email from the previous pension administrator regarding calendar year was provided by Officer Heiser and Officer Christman. Although, it can be interpreted that the issue has been settled; the Board, City Solicitor, and the Pension Solicitor have not agreed that the email settles the issue. They are still awaiting information on whether a grievance has been filed or some clarity back to the Board.

## **5. Roger Barilani – Wachovia Securities**

The Board will decide if they should place Roger Barilani and Wachovia Securities on the "Watch" list. A copy of an email which provides the asset allocations and fees for the Police Pension Fund was provided for the Board to review. David Cituk will bring the performance reports from the other two (Fire and O&E) pension funds in an effort to compare the current rates of return.

## **NEW** **BUSINESS:**

### **1. City of Reading 2006 Pension Bond**

The City of Reading recently floated a Pension Bond to attempt to fully fund all (3) Pension Funds. The City of Reading will deposit \$25,414,680.47 into the Police Pension Fund by the end of the year. The City of Reading has a responsibility and obligation to all (3) pension funds. Every year the City is required to contribute the Municipal Minimum Obligation payment to those funds. In the last year, the annual cost projected was about \$6.5 million. Through a Pension Bond the City of Reading will be able to refinance that payment and take a debt service payment of about \$4.5 million; which is a savings of \$2.0 million. This information is based off of current liabilities. The amount that the City of Reading will put in is not based off of future liabilities. Even including in the new FOP contract is based off of what the City is currently expected to pay off on liabilities today in 2006 not 2007. As we move forward, obviously the liabilities will increase. The Pension Fund has the obligation to invest the funds properly to return the maximum investment and also limit the most risk.

## 2. New FOP Contract – Pension Enhancements

As per the new contract, effective January 1, 2007 for the next five years:

### Item 11, Pension Rates, DROP, and Mandatory Years of Service

Bargaining unit members may retire at 20 Years of Service at a 60% payout, 21 Years of Service at a 62% payout, 22 Years of Service at a 64% payout, 23 Years of Service at a 66% payout, 24 Years of Service at a 68% payout, and 25 Years of Service at a 70% payout. All bargaining unit members are eligible to participate in the DROP program up to a period of 5 years. All bargaining unit members are required to retire upon the completion of thirty (30) years of service effective January 1, 2008. Current bargaining unit members in the DROP program are grandfathered in order to complete their benefit. The mandatory employee contribution shall be increased to 6.5% of base salary plus \$1.00. The City shall guarantee placement of funds to make the current Police Pension solvent to accommodate this increase in benefit (fund amount shall be agreed to by both City and FOP). The City of Reading shall not request or attempt to have this provision removed or diminished from this binding agreement. This provision shall remain intact unless a change is negotiated between the City of Reading and FOP Lodge #9. This is an agreement made between the administration, City Council and FOP Lodge #9. The Police Pension Fund has to accept the new contract. Police Pension Fund Board Solicitor, Louis Rizzuto stated that at the present time the 3<sup>rd</sup> Class City Pension Law only provides for 50% of the base salary plus the enhancements. He is concerned that if the new contract violates the 3<sup>rd</sup> Class City Pension Law, it will cause the Auditor General to conduct an audit and possibly cut state funding. If that happens, the City will come up short on paying their bond obligations.

### **COMMENTS:**

Councilman, Stratton Maramarou is in attendance as a representative to the retired police officers. He asks that the Board consider a Cost of Living Adjustment to the retirees. Councilman Maramarou asked for an audit of all three (3) pension funds to determine expenses and rates of return for the last 5-10 years.

Board member, Kevin Rudy has always been proactive and in support of considering a Cost of Living Adjustment for the retirees. Kevin Rudy expressed his frustration in being caught between a rock and a hard place because as of 12/31/06 the Police Pension Fund will be fully funded and at the point of 1/1/07 the Police Pension Fund will be under funded approximately \$8 million. Kevin Rudy stated this will be his last term a Board member of the Police Pension Fund. He has represented both the retirees and active employees.

Sergeant Todd Trupp explained that as long as the City negotiated the new FOP contract and City Council ratified the new FOP contract; future retirement payments should not be affected.

Mr. Bowers is a retired officer and former FOP president; he asked the Board to consider a Cost of Living Adjustment for the retirees.

Mr. Storch asked the Board to consider a Cost of Living Adjustment for the retirees.

Eric Hartman expressed his disappointment with the attitude on the Pension Board regarding the new FOP contract. Recently, he attended a Third Class City meeting in Mechanicsburg, PA regarding a Bill to be introduced involving a Cost of Living Adjustment for retirees. He stressed the importance of retirees going out to Lobby and contacting the local legislatures.

Barry Rambo just wanted to obtain clarity from the Board that they will not try to challenge the new FOP contract and its legality.

**MOTION** by Hottenstein/Rudy to look at an actuarial study to possibly provide a Cost of Living Adjustment during the first quarter of 2007...**MOTION PASSED UNANIMOUSLY**

**ADJOURNMENT:** **MOTION** by Heim/Hottenstein to adjourn @ 11:53 A.M.

Respectfully submitted \_\_\_\_\_  
Pension Coordinator