

FINAL

**FRANKLIN TOWNSHIP
BOARD OF SUPERVISORS (BOS)
PENSION MEETING & 2023 BUDGET MEETING MINUTES
November 3, 2022, 5:30 PM**

**Roll Call: (x) Wenrich (x) Buckwash () Decker (x) Anthony () Cummings
(x) Williams**

PENSION WORKSHOP

The Pension Workshop Meeting began at 5:30 PM. Participating via Zoom were Doug Johnson and Jason Denton from HUB International. Employees attending were Robert King and Andy Gibb (via Zoom), members of the Franklin Township Road Crew.

Treasurer Pam Williams gave an overview of what the BOS had previously discussed regarding changes to the Pension plan to possibly end the Defined Benefit (DB) plan and move towards a Defined Contribution (DC) plan. The BOS had previously discussed the format and suggested the amount the township would contribute would be 50% of what the employee contributed up to an 8% cap of their gross salary. Questions asked were “would this be for current and/or future employees” and “what would the effective date be”. The options discussed were to terminate the PSATS DB plan and move into a PSATS DC 401A plan, employees roll their pension over or invest it privately or the employee cash out and pay taxes. Considerations were also given to whether the current pension would be continued for the current employees until they’re vested.

Jason Denton stated it’s a straightforward process with many options (mentioned above) and the changes would take effect with a Resolution listing what’s being done and an effective date for the changes. He stated it’s cleaner if it’s done at the end of the plan year (2022) and for the 2023 State Aid and suggested an effective date of January 1, 2023. The State Aid for 2022 would be based on the DB plan and 2023 and going forward would be based on the DC plan. This also aligns the W2 with the calendar year.

Jason stated there is a big difference between terminating a pension plan vs. “freezing” it. He suggested to “freeze” the DB plan which could be passed with a Resolution at any time. With this, there would be no further accrual of benefits for current employees nor could anyone new enter the plan. This way, the township isn’t obligated to shut it down which means you pay out everyone in the plan. You must consider the total liability to pay out with the current assets vs. what’s in the fund. With “freezing”, if a current employee is not “vested” in the DB plan, you can “freeze” the plan and it can be left in place long enough for all employees to become vested. If the plan is shut down, the employees are then declared “vested” and paid out which would have to be written into the Resolution.

Jason also stated if it is a “pay out”, it’s not mandatory for the employees to “roll over” into the DC plan; the funds can be paid out then reinvested privately. You do however have to provide them an option of taking an annuity at age 65. Typically for our township, retirement is 62. Buying an annuity would mean the township buys the annuity to fund benefits for the rest of the employees’ life that the plan owes them. A check is given to the employee that is rolled over to the 457 or their private IRA, both of which are tax deferred.

For the three retirees currently receiving benefits, you can keep the DB plan open if you choose as well as the DC plan (both plans going at the same time), but some organizations offer lump sums then purchase an annuity from an insurance company vs. keeping the DB open. If the annuity is purchased; they still get the same amount of their benefit. These decisions can be made after the township “freezes” the plan, it doesn’t all have to be done at once.

An example is for an employee who currently receives \$670/month which obligates the DB plan to pay out the employee for the remainder of their life. Using a mortality table, a value would be given to the benefit, i.e., \$50,000 today. It will cost more or less than that value because they will live longer or shorter than the expectation of the mortality table. As long as we keep them in the PSATS DB plan paying that monthly benefit there is always going to be excess assets or a shortfall that exists and will require a contribution. Purchasing an annuity is a one-time purchase that the insurance company will then manage and use to pay out the employee. If the assets cover the value of everyone’s benefit, there is no need to wait. If not, it doesn’t have to be funded right away. If the township waits to terminate the DB plan, they may want to consider moving all funds to a fixed plan (only goes up with interest) vs. equity and bond funds so as not to be impacted by the rise and fall of the market. Vice-Chairman Buckwash will make the motion to pass the Resolution at the 11/16/22 BOS meeting, the Solicitor can write the Resolution for the 12/14/22 meeting and the BOS can sign it then.

Doug said if you’re “freezing” the DB plan, there are two steps to take to enter a DC plan. First, establish a 401A DC plan which is where the township contribution goes (50% of what the employee contributes up to 8% of gross pay). It is custom designed via a checklist for the township and is where the township contribution will go. There will be a vesting schedule and the employer contribution amount to each account to get the most State Aid; this allows the township to continue to be eligible for and maximize the State Aid which is earned based only on full-time employees. The second step is to adopt a Resolution to establish a 457 plan where employee funds would go, and the employee can always contribute more than 8% if they choose. The limit for next year is \$22,500 for under age 50 and \$30,000 for over age 50. These regulations follow IRS guidelines.

For State Aid, the maximum aid per unit for 2022 was approximately \$5,100 per person/unit which is calculated each year and historically increases. With the DB plan, the cost of the benefits was about 10% of payroll. The last time the valuation was done, we had a payroll of about \$210,000. At 10%, that is a cost of \$21,000 per year for current benefits being earned and with four employees on the plan the amount is right around what the State Aid is. The State Aid could potentially be higher with a DC plan. The township may want to also consider an additional “X” percent per year to employees (along with the match) not beholden to the match to get the most out of your State Aid as possible. With the DB plan, if you get extra State Aid money, you contributed it back into the DB plan which offset future contributions. With the DC plan, you can only offset the payments that you made. Whatever is excess, you must send back. If you design it in a way to make larger contributions but less than the expected State Aid, you are maximizing the value to your employees of getting State Aid. Essentially, you can give them larger benefits without costing the township extra dollars.

Supervisor Anthony asked if the current match parameters should be modified. The suggested model of 4% for 8% was positively reinforced by Jason but he stated that possibly the township

could add another 4% of pay as a flat contribution per year along with the employee being able to get an additional match of 4% of gross pay if they're putting in the maximum of 8%. Eight percent of pay today is less than the \$5,100 per person and it gives you a cushion as employee pay increases and you're also not going over that base per person. This can be adjusted in the future if needed.

Jason stated all we need from our Solicitor is one Resolution stating the DB plan is being frozen on this date and all current and future employees will be a part of the DC plan which is attached. Before the resolution is signed, Doug will need to go through the checklist and make sure the plan documents have everything needed by the township before being adopted. In terms of the 401A & 457 plans, the investment options are the same in both plans, Employees will then be enrolled as well as educated on what the options are. Jason and Doug will file the forms and get the employees up and running with Nationwide. The process will include a meeting with the BOS and the township Pension Administrator and a checklist for the plan will be completed. There will be payroll submission process training provided by PSATS. Doug said if preliminary employee information and investment defaults are given to Nationwide, it only takes a couple of days to get the plan implemented. The defaults could be used until each employee selects their individual investment options with a selection of bond funds and more or less stable investments.

A decision to determining/shutting down the DB plan can come later. Any employee can contribute to the 457 plan. Opening the 401A to part-time employees is up to the BOS and any contribution and rate that's made. Close attention would need to be paid if any of those part-time employees would become full-time. State Aid is earned only on full-time employees.

Road Crew employee Bob King said he would like something better than the current DB plan. Roadmaster Andy Gibb expressed his concern between a DB plan which is a guaranteed amount vs. a DC plan based on markets and questioned how it's invested. Jason stated a big difference is who owns the investment decisions. With a DB plan, it's the township and with a DC plan, it's the employee. A determination of the value of the employee's monthly benefit under the DB plan will be made, a market value will be assessed, and the employee will have the option to invest it themselves. The other option is an annuity can be purchased to provide that amount you were to receive from the DB plan. Jason stated that the purchased annuity would guarantee the retirement income and the plans have the same value.

In the DB plan, there is currently a spousal benefit. In the DC plan, spouses can be added when the employee retires and they can choose options of if they want it just for their life, their life with 50% for the spouse if the spouse outlives the employee or their life and 100% going to their spouse if they outlive you. The benefit may decrease based on which option you choose. Employees will still be able to retire at 62 under a DC plan. If they leave at age 50, they can access it whenever and pay income tax based on what they withdraw. If they use the 401a fund under the age of 59 ½, they're penalized an extra 10% of the withdrawal.

If the employee has a current 457, they can have more than one or roll all funds to one 457. Jason said they would do the future value calculations for the four employees to show the individual benefits of the DB plan. They'll also do value calculations for the township to be able to decide whether to terminate the DB plan soon or let it open for a little while.

There also will be online access for the 401A and 457 to track balances daily and have the freedom to move funds around with a limit of approximately 20 times per year. Also, contributions can be adjusted on an unlimited basis.

Jason informed Pam they will collect the payroll data after the end of the year. Sample Resolutions will be sent to Treasurer Williams for Solicitor Shaffer to begin working on with a projected effective date for the changes of 12/31/22. This part of the meeting concluded at 6:37 PM

BUDGET MEETING

The Budget meeting was called to order by Chairman Wenrich at 6:43 PM Hector Morales, Carla Snyder and Mark Snyder were participating via ZOOM. The approval of the Budget Meeting Minutes from 9/8/22 was distributed at the 10/25/22 meeting for approval. The approval was deferred to the BOS meeting on 11/16/22. The Fire Co. was moved to the beginning of the agenda. NYCFR Hector Morales stated he was joining to hear about the budget.

Treasurer Pam Williams went over a possible change to the proposed 2023 budget for account number 355.25-Pension State Aid. She went over the amount received for this year, \$15,541.35 vs. what we budgeted for 2023 which was \$19,000 and was based on the amount received in 2021. It was agreed to change it to \$16,000 for 2023. The Auditor Fees, account 402.11, was reviewed based on information they sent regarding entering a new contract for 2023-2025. Pam stated it does increase each year and gives three options and the price for each. It was decided to take the option priced at \$8,500 vs. \$9,500.

Other business was moved up on the agenda and discussion was held on prices to repair playground equipment vs. purchasing a new piece. It was mentioned the stainless hardware is okay as well as the poles in the ground.

A motion was made by Chairman Wenrich to purchase new playground equipment from George Ely Assoc. up to \$2,693 from the General Fund which includes a new latch for a swing.

Second by Vice-Chairman Buckwash

Discussion-no discussion

The motion passed.

In determining the amount to put in Equipment-Capital Improvements in the General Fund Budget for future purchases, discussion ensued on putting funds in reserve for a backhoe. Two current quotes were received and reviewed. The equipment listed was supposed to be equivalent machines on the two quotes but there was a big difference in prices. Roadmaster Andy Gibb said we could probably do better selling our old 2002 backhoe on Municibid and using those funds towards the new backhoe vs. trading it in for \$22,000.

Lawn Mowers were discussed, and quotes were reviewed. There is only \$3,996 in the Parks and Recreation Budget for Capital Improvements in 2023 and the cost of a new motor to replace the current motor would be approximately \$6,000. The trade-in value would be approximately \$4,000 (Andy was verbally told this amount). The prices on the quotes were \$17,826 and \$20,700. The old mower would be placed on Municibid and the General Fund Budget would pay the balance.

Pam mentioned a few other items on the agenda that needed to be considered such as wage increases, the NYCFR donation, the Bypass Rd. bridge repair, and the P&R donation.

Chairman Wenrich suggested leaving the P&R donation the same and if additional funds are needed, they will be transferred from the General Fund. Three percent is already budgeted in the 2023 budget for wage increases. If the increase ends up above 3%, the amount would be an overage in these line items next year.

Previously, the BOS asked the NYCFR for actual numbers, not just the budget. Mark Snyder said he thought that was what he sent last. Pam stated the document that was sent had budget numbers only, nothing from same period last year (SPLY), actuals or what was projected for the rest of 2022. Discussion ensued that it should show trends, projected, etc. for the BOS to make an informed decision on what to give

A motion was made by Chairman Wenrich authorizing Roadmaster Gibb to purchase the Kubota ZD1200 out of the General Fund from Messick's at the price of \$17,826.70 with the option to trade in the old mower or sell it on Municibid.

Second by Supervisor Anthony

Discussion-no discussion was held.

The motion passed.

Andy will go ahead with ordering it and request that it be invoiced in 2023.

Discussion returned on the amount to budget to Equipment-Capital Purchases for the purchase of a new backhoe. Andy stated he estimated the backhoe should last another three years. It was decided to place \$15,000 in this line for 2023. For 489.10, Miscellaneous Expense, \$3,965.20 was placed in this account to balance the General Fund Budget.

A motion was made by Chairman Wenrich to accept the finalized State Highway Budget for 2023.

Second by Vice-Chairman Buckwash

Discussion-no discussion was held.

The motion passed.

A motion was made by Chairman Wenrich to accept the finalized Parks & Recreation Budget for 2023.

Second by Vice-Chairman Buckwash

Discussion-no discussion was held.

The motion passed.

It was decided to table the General Fund Budget and vote on accepting it until the BOS Meeting on 11/16/22 after review of any pending items. A date will be discussed at the 11/16/22 meeting to schedule a date towards the end of December to vote on adopting all three budgets.

A motion was made by Chairman Mark Wenrich to adjourn the meeting at 8:47 PM

Second by Supervisor Duane Anthony

Discussion: There was no discussion.

The motion passed.

Pamela Williams

Pamela Williams-Treasurer/Asst. Secretary