

# PENNSYLVANIA INTERGOVERNMENTAL COOPERATION AUTHORITY

## Minutes of the Meeting of the Board

---

---

April 21, 2015

---

---

The meeting of the Board of Directors of the Pennsylvania Intergovernmental Cooperation Authority ("PICA") was held on Tuesday, April 21, 2014 in the PICA Board Room located at 1500 Walnut Street, 16<sup>th</sup> Floor, Philadelphia, Pennsylvania.

### Attendees

Board: Gregory S. Rost, Michael A. Karp, Suzanne Biemiller, Robert A. Dubow (*ex officio*) and Sharon Ward, Director, Governor's Budget Office (*via telephone, ex officio*).

Staff: Harvey M. Rice, Stephen Camp-Landis, Deidre Morgenstern, and Dora Ward.

Invited Guests: S. William Richter, Esq., Reed Smith, LLP (*via telephone*); Anna Adams, City of Philadelphia.

### Call to Order

Mr. Rice called the meeting to order at 12:15 p.m.

### Executive Director's Report

Mr. Rice stated that an accounting firm has been hired by PICA to prepare the annual financial statements, upon a recommendation that arose from the most recent audit. PICA provided an RFP to 25 firms and received 3 responses. PICA engaged Joyce Miller & Associates for approximately \$10,000.

Mr. Rice provided the status of the recently signed US Bank agreement, allowing a portion of the Debt Service Reserve Fund (\$18 million) to be moved from a money market account into fixed-income investments expected to yield approximately 1.5 percent. Mr. Rice will provide the Board with a spreadsheet detailing the expected returns when the information becomes available.

Mr. Rice noted that the LIBOR litigation was recently dismissed in trial court. PICA and the other defendants have appealed. There is a May 2015 deadline for the filing of briefs on the antitrust claim, and no scheduled deadline for briefs regarding the state law claim at the present time.

The Special Pension Commission has formed a subcommittee to oversee preparation of the benefit plan study. The subcommittee has hired Cheiron to perform the benefit comparison for the benefit plan

**Pennsylvania Intergovernmental Cooperation Authority**

**Tuesday, April 21, 2014**

**Page 2**

study. A draft report of the study is expected in June, which will be turned over to the full Commission for review.

Mr. Rice stated that PICA held its annual Economist Meeting with City officials, the City's consultant IHS Global Insight, and other economic experts in February. The conference was better attended than last year's.

PICA has begun its Five Year Plan review process. Questions have been sent to all City departments. Approximately one-half have submitted answers. PICA sent out reminders today to the remaining departments, and will subsequently review all questionnaires to schedule meetings for May.

Mr. Rice explained that the new computer system has been fully implemented and that a backup of PICA's files is stored at Wells Fargo regularly.

PICA is in the final stages of completing its report on Revenue Recovery. The report will be finalized after receiving supplemental information to be provided by the Department of Revenue.

The status of the Morgan Stanley recommended change in the PICA investment portfolio is the movement of \$1 million from a money market account into bonds expected to yield a 1.8 percent return.

Mr. Rice reminded the Board members that financial disclosure forms are due to the Commonwealth on May 1.

Mr. Rost asked Mr. Rice for the status of the remaining two appointments to the Board. Mr. Rice replied that he has sent two rounds of letters and plans to call the remaining appointing authorities in the near future.

**Presentation of the Five Year Plan**

Mr. Dubow gave the Board a brief overview of the FY16- FY20 Five Year Plan. He explained that the FY16 budget was sent to Council in March and that Council sessions on the Plan will go through June 18.

Mr. Dubow stated that the lowest point in terms of fund balance is projected for FY17 (\$33.8 million). Two arbitration awards have been resolved since the Plan was originally presented to Council – correctional officers and deputy sheriffs/register of wills employees – and will be incorporated into the Plan that will be submitted to PICA in July.

Ms. Biemiller asked if Council is expected to make any changes that will affect the Plan fund balance. Mr. Dubow said that Council does usually make changes that affect the fund balance.

**Pennsylvania Intergovernmental Cooperation Authority**

**Tuesday, April 21, 2014**

**Page 3**

Mr. Rost asked about the health of the pension fund. Mr. Dubow answered that the Board of Pensions is adopting increasingly more conservative assumptions, including mortality and a 7.8 percent rate of return on investments. He also explained that all recent collective bargaining agreements and arbitration awards have incorporated either increases in employee contributions or changes in benefits. Ms. Sharon Ward asked if these changes are comparable between unions, and Mr. Dubow said that they vary. Ms. Sharon Ward further inquired who negotiated the varying deals. Mr. Dubow responded that some were negotiated and some were arbitration awards. Ms. Biemiller then asked if there are any changes to the Pension Adjustment Fund legislation on the horizon, and Mr. Dubow said he does not anticipate such changes. Mr. Dubow also stated that the Governor's budget proposal would be good for the Philadelphia pension fund.

Mr. Rost inquired about the status of the School District. Mr. Dubow answered that the City has proposed a 9.3 percent real estate tax increase and that a hearing will be held on the proposal on May 26. Ms. Sharon Ward asked what the School District proposal was. Mr. Dubow explained that the School District showed two scenarios: first, showing a baseline without additional funding; and second, showing a \$159 million increase from the state and \$103 million from the City.

Ms. Biemiller asked if the City has a comment on the PUC recommendation that the City give back the annual \$18 million payment from PGW for capital improvements. Mr. Dubow said he had not yet reviewed the PUC report and did not have an official comment.

**Treasurer's Report**

Mr. Rice stated that there is an increase in PICA salaries and benefits for FY 2015, as compared to last year. However other spending is below budgeted levels.

**Discussion of New Business**

None.

**Public Comment**

None.

**Approval of Minutes**

Mr. Rost made a motion to approve the minutes from the meeting of January 20, 2015. Mr. Karp seconded the motion. The motion passed 3-0.

**Adjournment**

Mr. Karp asked for a motion to adjourn. A motion was made by Mr. Rost. The motion was seconded by Ms. Biemiller. The motion passed 3-0.