

Pension Trustees
Meeting Minutes – May 14, 2014

The quarterly meeting of the Trustees of the Police Pension Fund, Deferred Compensation Plan and the OPEB Trust to discuss the results of the first quarter 2014, was held on the above date at the Township Building. Trustees present were Bert Dalby, Warren Hyams and Richard Veith. Also in attendance were Township Manager William Martin; Acting Finance Director Joseph DiRocco; Board of Supervisors Liaison Murph Wysocki; and Recording Secretary Patricia Hoffman. Attending from PFM Advisors was Mark Yasenchak.

The meeting was called to order at 7:55 a.m.

Approval of Minutes & Administrative Matters

The minutes from the February 12, 2014, meeting were approved by acclamation.

Mr. Yasenchak reviewed a PFM press release announcing that the managing directors of PFM had purchased ownership of the company. He stated that the changes are primarily internal, and that PFM's clients would not be affected.

Quarterly Results for the Police Pension Fund as of 3/31/2014

Mr. Yasenchak reviewed the performance of the overall markets, reporting that US Equity, International (with the exception of Emerging Markets), Real Estate, and Fixed Income (US and Global) had positive returns for the quarter. The Fund returned 2.04% for the first quarter, and 11.89% for the past year, net of fees. REITs performed especially well during the quarter, but have lagged developed equity markets for the past year.

When asked what PFM's expectation was with regard to interest rates, Mr. Yasenchak responded that they anticipate gradually rising rates in 2015.

There was discussion of the Fund's current allocation to fixed income markets, and the consensus of the Trustees was that, while the Fund is presently at the lower end of its target range (30%), it was not time to reallocate additional assets to Fixed Income. However, after discussion regarding rebalancing, the Trustees agreed and approved several new Fund manager target allocations, as follows:

Vanguard Total Bond Index, from 6.00% to 12.00%
Metropolitan West, from 13.00% to 8.00%
PIMCO, from 13.00% to 8.00%
Vanguard Total International Bond Index, from 1.00% to 5.00%

Mr. Veith asked if either of the Fund's active fixed income managers afforded exposure to the high yield fixed income market in their portfolios, and Mr. Yasenchak responded "yes".

PIMCO has been placed the watch-list, with PFM's main concern being the recent senior management change at the firm. Mr. Yasenchak stated that PIMCO's relative performance has deteriorated over the past year. The consensus of the Trustees was to begin withdrawing funds from PIMCO, to lessen its impact on the Fund. The Trustees approved and authorized moving 4% of the Fund out of PIMCO in

favor of funding Vanguard Total Bond Index Fund and Vanguard Total International Bond Index Fund, while maintaining the Fund's present allocation to Fixed Income at 30%. There was discussion regarding the long-term underperformance of Philadelphia Trust and its continued placement on PFM's watch-list. It was noted that PT had just significantly outperformed its benchmark for the first time in 3 years. Mr. Yasenchak presented 3 recommendations for replacements for Philadelphia Trust: Atlanta Capital Management, Brown Advisory, and Neuberger Berman Group. The Trustees asked for more detailed information on each of these managers, and noted that fees for these managers were much higher than the fees the Fund was paying its other equity managers. The Trustees asked Mr. Yasenchak to research alternative managers that charge lower fees..

Mr. DiRocco reported that one of the police officers is scheduled to retire in June. The anticipated fund cash needs for the rest of the year are \$500,000-\$600,000. Funding these cash needs will be addressed at the Trustees' next meeting.

Mr. Yasenchak left the meeting at 9:30 a.m.

457 Deferred Compensation Plan

Mr. DiRocco reported that all participants had finally transferred into the new funds line-up. He added that his next goal was to work with Vanguard toward taking on the Plan's recordkeeping directly, rather than relying on KT Administrators. He also stated that more employees are joining the plan, and that the Plan should soon comprise \$5,000,000 in total assets.

OPEB Trust

Mr. DiRocco reported that \$500,000 was already invested in the Vanguard Life Strategy Growth Fund , and that \$1,500,000 was in the Vanguard Short Term Bond Fund for the OPEB Trust. The Trustees agreed and approved moving \$500,000 per quarter from the Short Term Bond Fund to the Life Strategy Growth Fund

There was discussion of the cost/officer/year funding requirement for the OPEB Trust and the possibility of initiating funding the Trust for each new officer as hired on an annual basis. Such a plan is in the preliminary discussion stage and the details need to be determined before this can be presented for approval to both the Trustees and the Board of Supervisors.

The next meeting is scheduled for Wednesday, August 13, 2014.

The meeting was adjourned at 9:45 a.m.

Respectfully submitted,

Patricia Hoffman
Recording Secretary