

**Pension Trustees  
Meeting Minutes – August 13, 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 second quarter 2014, was held on the above date at the Township Building. Trustees present were Warren Hyams and Richard Veith; Bert Dalby participated via conference-call. Also in attendance were Township Manager William Martin; Finance Director Joseph DiRocco; Superintendent of Police Anthony Giaimo; 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 7:35 a.m.

**Approval of Minutes & Administrative Matters**

Motion made by Mr. Veith, seconded by Mr. Hyams, and passed unanimously to approve the minutes from the May 14, 2014, meeting.

**Quarterly Results for the Police Pension Fund as of 6/30/2014**

Mr. Yasenchak reviewed the performance of the overall markets, reporting that the portfolio realized strong positive second quarter returns, especially in the equity markets. Year-to-date, the PPF is up 6.5%. The U. S. economy is showing strength primarily due to real estate and job growth. Small cap stocks have come back after a slow start at the beginning of 2014. International markets have lagged domestic markets due to negative influence of geo-political risks. REITs continue to perform well, with a year-to-date gain of 17.7%. Fixed income has returned 4.0% year to date. The most recently added equity manager, Southern Sun (8/2013), has shown a 24% gain since account inception.

The Trustees and Mr. Yasenchak discussed the continued underperformance of Philadelphia Trust (PT) relative to the performance benchmark that PFM had communicated to them. PT claims to be “benchmark agnostic”. In the Peer Group Analysis charts, PT has ranked in the 4<sup>th</sup> quartile over 3 & 5 years, managing only a 3<sup>rd</sup> quartile return in the past year with a 24.1% return. PFM has placed PT on probation, one step away from termination.

There was discussion regarding three candidate mutual funds proposed by PFM as replacements for PT. The consensus of the Trustees was that those funds which PFM had proposed carried relatively high management expenses. The Trustees asked Mr. Yasenchak to provide additional PFM research on mutual funds with lower fees. There was discussion with staff on the legal requirement to initiate an RFP process in order to search for a new separate account manager such as PT. All agreed that the process would be time consuming and not cost-effective compared to selecting a mutual fund as a replacement for PT.

There was also discussion of the need to identify possible replacements for PIMCO Total Return Fund, since PIMCO has been placed on PFM’s watch list, as a result of high-level management changes at that firm. PFM will research and provide information to the Trustees in advance of their next meeting, November 12, in order to expedite the manager replacement process should PFM recommend that PIMCO be terminated.

Mr. DiRocco addressed the cash needs for the remainder of the year. By acclamation, the Trustees approved withdrawing \$500,000 from PT; adding \$300,000 to the Vanguard Total Bond Index Fund; adding \$100,000 to the Vanguard International Bond Index Fund, and adding \$100,000 to money market reserves.

Mr. Yasenchak left the meeting at 9:13 a.m.

### **457 Deferred Compensation Plan**

Mr. DiRocco reviewed the results of the 457 Plan Report (KT Administrators) which demonstrated a positive quarter and that the plan has a lower fee share class opportunity for the Vanguard Primecap Fund. The Plan is currently invested in the Investor Share Class, with an expense ratio of .45% but is now eligible for the Admiral Share Class with an expense ratio of .36%, which results in a significant cost savings to participants over time.

### **OPEB Trust**

Mr. DiRocco reported that the 2015 budget process has begun and that one of the initiatives for 2015 is to increase the funding for the OPEB Trust to \$750,000/year from \$500,000/year. The OPEB Trust is invested in the Vanguard Life Strategy Growth Fund and the Vanguard Short Term Bond Fund.

### **2013 Audit Review**

Mr. DiRocco reported that the 2013 Audit is complete and both the Police Pension Fund and the 457 Deferred Compensation Plan received clean opinions.

The next meeting is scheduled for Wednesday, November 12, 2014.

The meeting was adjourned at 9:20 a.m.

Respectfully submitted,

Patricia Hoffman  
Recording Secretary