

Pension Trustees
Meeting Minutes – November 12, 2014

The quarterly meeting of the Trustees of the Tredyffrin Township Police Pension Fund, Deferred Compensation Plan and the OPEB Trust to discuss the results of the third quarter 2014, was held on the above date at the Township Building. Trustees present were Warren Hyams, Bert Dalby and Richard Veith. 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 were Mark Yasenchak and Matt Tracy.

The meeting was called to order at 7:30 AM.

Approval of Minutes & Administrative Matters

The Trustees approved the minutes from the August 13, 2014 meeting by acclamation.

Mr. Yasenchak reported that Stu Cameron has left PFM to return to school, and that a new analyst, Brian Carrs, has been hired.

When asked, Mr. DiRocco confirmed that the Act 44 disclosures were received.

Fixed Income Manager Search

PFM presented their Core Plus Fixed Income Search for Tredyffrin Township. Three potential replacements for PIMCO Total Return Fund were proposed: Voya (formerly ING) Investment Management Core Plus, DoubleLine Capital LP Core Fixed Income, and Baird Investment Management Core Plus.

After full discussion and review of the information provided by PFM, the Trustees unanimously agreed to terminate PIMCO and transfer all TTPPF fixed income assets under its management to Voya. Mr. DiRocco proposed retaining \$200,000 from the transfer to meet cash needs through the year-end, which the Trustees approved

PFM will notify PIMCO that they are being terminated as an asset manager for TTPPF.

Rebalancing

Mr. Yasenchak noted an error on page 2.22 of the Police Pension Plan Investment Performance Review was incorrect, and that the asset class range percentages should be as follows:

- Domestic Equities – 38% - 46%
- International Equity – 16% - 22%
- Real Estate – 5% - 7%
- Fixed Income – 30% - 36%
- Cash Equivalent – 0% - 10%

Mr. Yasenchak added that this would be corrected in the next report.

After further discussion, the Trustees agreed to move \$400,000 from Met West to Vanguard Total International Bond Fund in order to fully fund that sector of the fixed income allocation.

Large Cap Equity Manager Search

Mr. Yasenchak briefly presented PFM's Large Cap Equity Manager Search for Tredyffrin Township, adding that he had identified several additional manager options with lower management costs, and would be forwarding their summaries to the Trustees. The Trustees agreed to postpone any discussion and decision on the manager search until their February, 2015 meeting. Brian Carrs stated that he would be

meeting soon with Philadelphia Trust, a manager whose long term performance has become a concern to the Trustees.

Quarterly Results for the Police Pension Fund as of 9/30/2014

Mr. Yasenchak reviewed the performance of the overall markets, reporting that both domestic and international markets had experienced losses, in the third quarter, causing the Total Fund to realize a negative return of -1.57%. He noted that while the Fund is slightly overweight in domestic equities, it is not an issue for rebalancing at this time. He added that most of the volatility came from FMI due to their individual stock selections, but that this does not indicate a need for major concern. He stated that the Fund still ranks above median over 2-5 years, when compared to its peer group.

There was discussion regarding the performance of Harbor International which has underperformed its EAFE benchmark over the past two years. This has been attributed to Harbor's investments in emerging markets, which have underperformed the EAFE in the recent past.

Mr. Yasenchak stated that the portfolio has experienced compensating active returns for the level of risk, as demonstrated on the three and five-year Risk vs. Return graphs.

Mr. Veith complimented PFM for the report adding that it was a good tool and provided an accurate summary of the overall portfolio.

Mr. Yasenchak and Mr. Tracy left the meeting at 9:10 AM.

457 Deferred Compensation Plan

Mr. DiRocco reviewed the results of the 457 Plan Report (KT Administrators) and stated that the plan is doing well this year overall. He stated that the Plan Document does not follow federal guidelines for catch-up contributions; that the Plan is lower than the federal guidelines. He has been asked by the Police Union to consider allowing the catch-up contributions by amending the Plan document.

Mr. Martin and Mr. DiRocco suggested that the Trustees may want to evaluate administrators other than KT, going forward.

OPEB Trust

Mr. DiRocco provided the statement for review. He stated that \$500,000 would immediately be moved out of the short term bond fund into Vanguard Life Strategy Growth Fund with, the balance being moved in the first quarter of 2015.

He reported that as new officers are hired going forward, the Township will increase minimum funding for every new officer hired so that their liability will be fully funded at their retirement.

Mr. DiRocco provided a summary of the Morningstar Life Strategy Growth Fund, and he will contact Vanguard to get a full report.

The 2015 meeting schedule will be sent once it is approved by the Board of Supervisors.

The meeting was adjourned at 9:37 AM.

Respectfully submitted,
Patricia Hoffman
Recording Secretary