

**Pension Trustees
Meeting Minutes
March 8, 2016**

The quarterly meeting of the Trustees of the Tredyffrin Township Police Pension Fund (TTPPF), Deferred Compensation Plan and the OPEB Trust to discuss the results of the previous quarter, was held on the above date at the Township Building. Trustees present were Warren Hyams and Stanford Nishikawa; Richard Veith participated via telephone. Also in attendance were Township Manager William Martin; Finance Director Joseph DiRocco; Police Superintendent Anthony Giaimo; Board of Supervisors Liaison Murph Wysocki; and Recording Secretary Patricia Hoffman. Attending from PFM Advisors were Mark Yasenchak and Alex Goldsmith.

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

Approval of Minutes & Administrative Matters

The Trustees approved the minutes from the November 18, 2015 meeting.

PFM Review

Mr. Yasenchak stated that while the year 2015 finished on a strong note, it was the first loss year for TTPPF since 2011. Domestic and International equity markets performed well in the fourth quarter, but returns for the full year were modest. There has been a major market decline together with high volatility in the equity markets since the end of 2015. Conversely, the Barclays Fixed Income aggregate has performed positively so far in 2016.

There was discussion regarding the performance of the TTPPF portfolio thus far in 2016. Trustees questioned whether the funding ratio might have been affected, considering that the next actuarial analysis is not until 2017. PFM presented a YTD report for TTPPF that showed a net loss of -4.31% through February 29, 2016. Trustees questioned why the Vanguard Total International Fund has underperformed (tracking error) its benchmark index by 41 basis points/year for the last 3 years, and by 116 basis points in February 2016 ; PFM said they would investigate and report back to the Trustees.

SouthernSun (small/mid cap) has underperformed its benchmark for the past two years, and although SS showed an uptick recently, PFM is moving SS to “probation” status this quarter. The Trustees agreed to retain SS for the time being, to see if their performance continues to improve. In the meantime, the Trustees will consider several alternative managers recommended by PFM to cover this segment of the equity markets.

Asked to provide an assessment of PFM’s performance for TTPPF, Mr. Yasenchak responded:

- Several active equity managers recommended by PFM underperformed their benchmarks, namely, Philadelphia Trust, IronBridge, and SouthernSun. (Two of these managers have been terminated.)
- It’s still early to assess American Funds AMCAP, although, so far, it has underperformed in a market that has favored growth stocks (this manager was hired by TTPPF on 3/1/2015).
- TTPPF’s investment policy is well designed, and TTPPF’s portfolio is well diversified.
- TTPPF’s long term returns have been better than most of its peers.

Mr. Yasenchak presented material describing how PFM handles discretionary management assignments where it has been given full authority as to asset allocation and manager selection. Mr. Yasenchak noted that at the present time, PFM has opted not to participate in Emerging Markets, small cap US equities, or high yield fixed income, due to their market risk considerations. He included a list of PFM clients who have opted for discretionary management assignments vs. traditional consulting.

The Trustees agreed that no rebalancing was needed at this time. Mr. DiRocco reported that there was no need to raise additional cash at this time.

The Trustees agreed to review the fixed income portfolio with PFM at a future meeting, as the Fed moves toward further rate increases later in 2016.

There was discussion regarding investing in the Equus Capital Capital Partners Fund X , and the consensus among the Trustees was that this would not be an appropriate investment for TTPPF.

Domestic Equity Manager Search

PFM provided information to the Trustees regarding three potential replacements for SouthernSun:

- Chartwell Investment Partners
- ClearBridge Investments
- PNC Capital Advisors

The Trustees agreed to postpone discussion and decision on these until the next meeting.

Mr. Yasenchak and Mr. Goldsmith left the meeting at 9:30 AM.

The Trustees further discussed the rationale for changing to PFM's discretionary management model,, considering the additional costs it would entail, and agreed to continue the current "traditional" management strategy with PFM. .

457 Deferred Compensation Plan

The trustees agreed to add three Vanguard funds to the 457 Plan as alternatives to the Turner Small Cap Growth:

- STAR Fund
- Balanced Index Fund Institutional Shares
- Explorer Fund Admiral Shares

Currently, Township employees are no longer be able to invest in Turner Small Cap Fund, however, employees currently with funds invested in Turner may stay. Mr. DiRocco will notify employees that Turner Small Cap will close by April 30, 2016. As part of this notice, he will remind them of the fees they are paying to remain invested in this fund. Mr. DiRocco will look into closing the Plan's account in Turner, and will follow up with the Solicitor.

OPEB Trust

Mr. DiRocco will schedule the initial contribution to the Trust in 2016

Next Meeting

The next Trustees' meeting is scheduled for May 11th.

Adjournment

The meeting was adjourned at 9:48 AM.

Respectfully submitted,

Patricia Hoffman
Recording Secretary