

**Pension Trustees
Meeting Minutes
February 8, 2017**

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, Stanford Nishikawa, and Richard Veith. Also in attendance were Finance Director Joseph DiRocco; Board of Supervisors Liaison Murph Wysocki; and Recording Secretary Patricia Hoffman. Attending from PFM Advisors was Alex Goldsmith.

The meeting was called to order at 7:29 AM.

Approval of Minutes

Motion made by Mr. Nishikawa, seconded by Mr. Hyams, and passed unanimously to approve the minutes from the November 9, 2016 meeting.

Cash Needs

There was discussion regarding the cash needs for the first quarter of 2017. A sergeant retired at the beginning of February and a lieutenant will retire by the end of February, and it is anticipated that they will take lump sum payments. Mr. DiRocco stated that these payments could be met by accelerating the Township's MMO contribution (\$456,500 in addition to the planned quarterly \$228,250 for a total of \$684,750). Hence, this will result in no net cash needs from TTPPF at this time.

PFM Review

Mr. Goldsmith joined the meeting at 7:35AM. The strong rally in the domestic equity market that occurred after the election in November, offset the negative results in international equity, real estate, and fixed income, resulting in a modest overall gain for TTPPF, for the quarter. The job market improved in 2016, home and auto sales were up, and wages were up. The equity market is anticipating that the Trump administration's policies will result in increased fiscal spending, decreased regulation, and favorable tax cuts, which should be beneficial for growth in the U. S. economy..

Mr. Goldsmith reported that TTPPF outperformed its benchmark index for the year. TTPPF's results have ranked in the first quartile of PFM's public plans (under \$50 million) universe for 1, 3, 5, and 7 years. These results have been achieved with lower tracking error around the benchmark index than other funds in PFM's universe.

There was discussion about the equity manager SouthernSun, which remains "on probation" with PFM, SS outperformed its benchmark index in 2016, but has lagged significantly behind its benchmark over the (3+ years) period it has been a manager for TTPPF. The Trustees decided to withdraw \$300K from SS's account, in order to reduce exposure to this manager, pending results of a new manager search, as well as to address a current underweighting of fixed income in the overall TTPPF portfolio. .

Harbor International is under increased scrutiny by PFM. Harbor's performance relative to MSCI EAFE has declined over the past 3 years.

PFM will make the following changes to the quarterly report:

- Section II - Asset Allocation & Performance – report to reflect 3/5/10 year results instead of 3/5/8;
- Section II - Comparative Performance – add years 2007 and 2008;
- Section III – Plan Sponsor Peer Group Analysis – change 7 years to 10 years.

Mr. Goldsmith left the meeting at 8:45 AM.

457 Deferred Compensation Plan

Mr. DiRocco reported that the 457 Plan is doing well and that KT has upgraded investment options for investors, as approved by the Trustees.

There was discussion on how to obtain the Morningstar reports which contain more detailed opinions on the managers and funds being reviewed.

Mr. DiRocco reported that the Solicitor and he discussed the Turner fund and that employees cannot be forced out of investing in the fund, unless the Trustees deem the fund unsuitable.

OPEB TRUST

The Trustees agreed not to hold any cash in the Trust account. All contributions will be invested immediately in the long term investment vehicle, Vanguard Life Strategy Growth Fund.

The Trustees had met previously with the Township's actuaries regarding the appropriate investment rate of return assumption to be used for the Police Pension Plan. The Trustees' consensus is to recommend a gradual reduction in the current assumption rate of 7.5%. Mr. DiRocco will evaluate the impact of 0.125% and 0.25% reductions in the assumption.

Next Meeting

The next meeting is scheduled for May 10, 2017.

Adjournment

The meeting was adjourned at 8:55 AM.

Respectfully submitted,

Patricia Hoffman
Recording Secretary