

**Pension Trustees
Meeting Minutes
May 14, 2025**

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 participating were Trustees Richard Veith, Warren Hyams, and Stanford Nishikawa. Also in attendance were Township Manager William Martin; Chief Operating Officer Joseph DiRocco; Chief of Police Mike Beaty; Board of Supervisors Liaison Murph Wysocki; and Recording Secretary Patricia Hoffman. Attending from PFM Advisors was Donald Grant. Also in attendance were Board of Supervisors Chair David Miller and Township Resident Max Young.

The meeting dates for the year were advertised in the 12/27/2024 issue of Daily Local and the 1/5/2025 issue of the Main Line Suburban. The meetings dates for the year were published on the Township website by 12/31/2024 and were printed in the Township's newsletter 1/31/2025. The change of the meeting from 2/12/2025 to 2/26/2025 was advertised in the 2/13/2025 issue of the Daily Local and in the 2/23/2025 issue of the Main Line Suburban.

The meeting was called to order at 8 AM.

Chief Beaty left the meeting at 8:35 AM; Mr. Young left the meeting at 9:23 AM; and Mr. Grant left the meeting at 9:40 AM.

Approval of Minutes

A motion was made by Mr. Nishikawa, seconded by Mr. Hyams and passed unanimously to approve the minutes of the February 26, 2025, meeting.

PFM Review

Mr. Grant provided an overview of the volatility in the market in the first quarter of 2025 due to the tariffs imposed by the new administration. In the first quarter, international markets performed well while domestic markets did not. However, due to thawing relations between Washington DC and Beijing, as of May 12, 2025, the domestic markets and fixed income managers rebounded slightly. The GDP came in negative in the first quarter of 2025 with heightened volatility around the heightened tariffs. He spoke about the benefits of the diversification in the TTPPF.

Mr. Miller asked for and received information about the cash flows for each month and the sources of contributions for the TTPPF (MMO, Township, and employees).

Mr. Hyams asked for and received information regarding what PFM is doing for their discretionary clients during this volatile time. He clarified that basically, they remained firm and held steady through the "storm". Mr. Grant noted that the TTPPF has strategic targets across the portfolio that must be adhered to.

When asked for the outlook for the near-term, Mr. Grant responded that the economic perspective from PFM is that there will be a "soft landing", heightened volatility will continue in the equity marketplace, an interest rate cut may happen mid-summer, and inflation is easing.

When asked if there are any actions that trigger quick moves by PFM, Mr. Grant responded that the Pandemic was a strong catalyst as well as Brexit. He added that during the 2008 financial crisis, moves were made from the bond market into fixed income managers to protect discretionary client portfolios.

Mr. Grant reviewed the factors to consider for the next 6-12 months and noted that Economic Growth (Global) and Financial Conditions (US) may show levels of uncertainty and may show some negativity. Monetary Policy (Global), Inflation (US), Consumer Spending (US), and Labor Markets (US) look to remain neutral. Corporate Fundamentals look positive while Valuations look slightly negative. The only area that was very negative was Political/Policy Risks.

There was discussion of TTPPF's actuarial return assumption which is currently set at 7.25%, the interest rate used to discount future cash flows. PFM also used its current capital market assumptions to project what the target asset allocation will produce.

Mr. Nishikawa noted that based on long-term analysis and assumptions, portfolios should generally be allocated 2/3 equities and 1/3 fixed income.

Mr. Young asked how the return assumption was generated, to which the response was "from the actuary, PFM's own assumptions, and US Bank market research". He expressed his concern about the 7.25% and the fund's rate of return and asked the Trustees and the Supervisors to consider lowering it to 6.5%. Mr. DiRocco stated that any movement in the

assumption percentage has township budget implications. He also noted that the fund is 90% funded and will be 94% funded by the end of 2025.

Mr. Nishikawa noted that while rate of return is important, the assumptions have huge implications, especially to the Township budget. He added that the cost side has more importance than the rate of return. He also stated that if the fund was over-funded and the assumption was lowered, it could be used as leverage by the Union when it came time for contract negotiations.

Mr. Nishikawa also noted that chasing returns is not a good long-term investing strategy and is less optimal than the 2/3-1/3 split. Mr. Grant also noted that there is the question of risk tolerance.

Mr. DiRocco stated that two years ago, the Trustees recommended to the Board of Supervisors to lower the rate to 7% from 7.50% but the Supervisors opted to only go to 7.25%.

There was discussion regarding the MMO contribution needed if the rate were reduced to 6.5%.

Mr. Young stated that, in his opinion, the actuarial return assumption rate should not remain at 7.25%.

There was discussion about increasing the risk profile of the portfolio and considering other investment vehicles. Mr. Miller added that if cash flows can be covered long-term, the Trustees could consider expanding risk in the markets.

Mr. Nishikawa summarized the performance over the last 20 years, and the Trustees endorsed the continued diversification of the portfolio as it stands now. Mr. Nishikawa noted that the portfolio is currently a little more aggressive in equities and that the Trustees should stay within the confines of what's acceptable in the Township's investment policy.

There was discussion about re-evaluating the current investment policy. Mr. DiRocco agreed to transmit a copy of the report received by the Trustees to Mr. Miller. He also noted that there are State of Pennsylvania requirements and limitations that also must be met in investment policies.

Mr. Wysocki noted that all considerations are a balancing act between budget concerns, payout concerns, and taxpayer concerns.

There was discussion of the underperformance of Easton Vance/Atlanta Capital Focused Growth. Mr. Grant noted that while they underperformed for the 1st Quarter, they are positive since inception. He noted that they invest in high-quality growth stocks and offer strong protection on the downside. EV/AC performed as was expected and provided the protection needed during the volatility over the last few months.

Mr. Grant noted that Aristotle International is on probationary status and is being monitored by PFM. He also added that PFM is recommending termination of Met West, and he will provide recommendations to the Trustees for a replacement at the August meeting.

Mr. DiRocco confirmed there were no cash needs and this time, and the Trustees unanimously agreed that there was no rebalancing needed at this time.

The Trustees agreed unanimously to move \$1,000,000 in the OPEB trust from cash into the Vanguard Life Strategy Growth Fund (VASGX).

Next Meeting

The next meeting is scheduled for August 13.

Adjournment

The meeting was adjourned at 9:50 AM.

Respectfully submitted,

Patricia Hoffman
Recording Secretary