

Pension Trustees
Meeting Minutes – February 12, 2014

The quarterly meeting of the Trustees of the Police Pension Fund and Deferred Compensation Plan to discuss the results of the fourth quarter 2013, was held on the above date at the Township Building. Trustees present were Warren Hyams and Richard Veith. Also in attendance were Township Manager William Martin; Police Superintendent Anthony Giaimo; Finance Director Timothy Klarich; Board of Supervisors Liaison Murph Wysocki; Staff Accountant Joseph DiRocco; and Recording Secretary Patricia Hoffman. Attending from PFM Advisors was Mark Yasenchak.

The meeting was called to order at 7:30 a.m.

Approval of Minutes

Motion made by Mr. Veith, seconded by Mr. Hyams, and passed unanimously to approve the minutes from the November 7, 2013 meeting, as amended.

Mr. Yasenchak joined the meeting at 7:40 a.m.

Quarterly Results for the Police Pension Fund as of 12/31/2013

Mr. Yasenchak reported that the Police Pension Fund gained 5.0% in the fourth quarter 2013, and 15.75% overall, net of fees, in the year 2013. Emerging markets were the biggest detractor,, returning -2.6% for the year, followed by domestic fixed income, -2.0%. The REIT index has performed poorly compared to domestic equities for the past seven years. The Vanguard Total International Bond Index Fund, newly implemented in the fourth quarter, experienced a positive return, vs. a loss for the Total (US) Bond Index Fund.

There was discussion regarding the continued underperformance of Philadelphia Trust (PT) and Fiduciary Management (FMI), both of whom manage separate accounts for the Pension Fund. Philadelphia Trust is on PFM's watch list. Mr. Yasenchak reported that PFM has a higher conviction in FMI, and has more clients with FMI than with PT. Mr. Veith asked Mr. Yasenchak to provide some alternatives to PT at the next meeting of the Trustees. Mr. Yasenchak stated that although FMI has experienced a bad stretch vs. their benchmark over the past two years , they are not yet on PFM's watch list.

Mr. Veith observed that PIMCO had experienced a weak fourth quarter and year vs. its peers and Metropolitan West. Mr. Yasenchak stated that PFM had decided to place PIMCO Total Return Fund on its watch list, pending clarification of recent top-level management changes at PIMCO.

There was discussion regarding the change of ownership for Southern Sun Asset Management to Affiliated Managers Group. PFM has studied this development, and believes it will not have a material effect on the firm's business, however, they will continue to monitor the situation closely.

Mr. Yasenchak reported that Pension Fund has performed in line with its Target Policy Index, and, when compared to its peer group, has performed above median for the past five years.

The Trustees agreed that no asset class rebalancing was required at this time.

Mr. Klarich reported that the Township's 2014 annual required funding is approximately \$785,000, which will be contributed on a quarterly basis of \$250,000 for the first three quarters, in order to meet the Fund's cash needs for 2014. Estimated monthly pension payments are about \$103,000, for an annual total of \$1,240,000.

457 Deferred Compensation Plan

Mr. Klarich reported that all of the "closed" accounts were transferred or distributed by year-end. Some participants opted for an actual distribution rather than a roll-over.

When asked if there was potential for any retirements and lump sum payouts, Superintendent Giaimo responded that there was one possibility in 2014 and 5-6 possibilities in 2015.

OPEB Trust

Mr. Klarich reported that the OPEB Trust had been established in December, 2013, with US Bank as custodian, and that the funds had been invested in Vanguard Group's Life Strategy Growth Fund. Current plans are to make an additional funding contribution to the Trust of \$750,000 in 2015.

The next meeting is scheduled for May 14, 2014.

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

Respectfully submitted,

Patricia Hoffman
Recording Secretary