

Pension Committee Minutes February 2, 2016

In attendance: Board of Supervisors; Barbara Lyons, Rick Colello, Ryan Manion, Shawn Touhill, Ken Snyder, Non-Uniformed Representative; Sinclair Salisbury, Uniformed Representative; Timothy Reihl and Stephanie Mason, Township Manager.

Meeting was called to order.

REORGANIZATION:

Mrs. Lyons served as acting chair and called for nominations for chairman. Mr. Colello nominated Sinclair Salisbury, Mr. Touhill seconded. Being no further nominations the motion carried unanimously.

Mr. Salisbury then took over as chairman; he thanked the committee members for their confidence and support.

Vice Chairman: Mr. Colello nominated Timothy Reihl, Ms. Lyons seconded the nomination. Being no further nominations the motion carried unanimously.

Secretary: Ms. Manion nominated Stephanie Mason, Mr. Touhill seconded the nomination. Being no further nominations the motion carried unanimously.

APPROVAL OF MINUTES – September 15, 2015

On motion of Ms. Lyons seconded by Mr. Snyder the minutes from the September 15, 2015 meeting were unanimously approved.

PRESENTATION BY D. K. BREDE, D.K. BREDE INVESTMENT MANAGEMENT COMPANY

Ms. Brede provided the committee with a chart on the annual returns for intra-year declines from 1980 to 2015. She indicated that 2015 saw a -1 but the chart provides 35 years' worth of information at the highs and the lows and recoveries of the market. The document indicates that despite the average intra-year drops of 14.2%, the annual returns were positive in 27 of the 36 years. Ms. Brede also discussed the market and the way it is currently tied to different factors, a lot of people are tying market fluctuations to China and to oil.

Ms. Brede then reviewed the Non-uniformed Pension Plan Performance Report as of December 31, 2015. On page 1 of the report she provided an account summary of the market value. On page 2 of the report she showed the asset allocation targets and indicated that all are within the target range. On page 3 she reviewed the asset growth of the plan since inception it is 106.15% however year to date was -1.2%. She then reviewed the investment performance comparing SEI area of investment with those of the Lipper Multi Cap Core and the Russell standards as well. On page 5 she reviewed the bond side of the portfolio and the performance; she spoke a little bit about Warren Buffet and Berkshire Hathaway and the ups and downs of

portfolios of how a large money manager addresses the market. On page 6 she reviewed the overall weighted average of the investment performance which was 0.64%.

Ms. Brede then reviewed the Uniform Pension Plan Performance Report from December 31, 2015. She indicated that both reports tend to mirror each other. Page 1 of the Uniformed Report shows the account summary and the market value. Page 2 of the report provides the asset allocation targets, everything is within target range. Page 3 of the report shows the asset growth which since inception is 177.52% but for the year to date is down -1.32% and payments to retirees as of 12/31/15 was \$455,724.96. Page 4 of the report provided the investment performance and a comparison to SEI investments to other standards such as the Russell and the Lipper. Page 5 of the report shows the comparisons of SEI Bond mix with that of other bond mixes as a comparison. The last page of the report provides the investment performance total returns which were 0.64%.

Ms. Brede also discussed the possibility of active managers which tend to outperform the indices versus computer models. She talked about ETF's and whether or not the Pension Committee wanted to take a portion of the funds; say half from the account and put it into ETF's versus continuing to fully operate with an active investment manager.

After some discussion no action was taken, however Mr. Colello commented about oil transportation, shipping, railroads and cheap market impacts.

Officer Reihl commented on looking into ETF's a little further, he noted on a 5 year cycle looked interesting. Perhaps this is something to consider at a future meeting.

PRESENTATION BY JIM KENNEDY, THOMAS ANDERSON & ASSOCIATES

Mr. Kennedy said that most plans were down in 2015. 2013 & 2014 were great years. It certainly will reflect in the 1/1/17 valuation of how 2015 and 2016 play out in the resources and whether it is actuary loss hit on 1/1/17 valuation especially if we come in under the 16% return requirement.

The municipality has low MMO funds, the upside would be cash flow, quarter by quarter basis and he recommended that consideration be given to fund the market value earlier. We are tracking overall at 78%, which is a – level 1, and very good.

Mr. Kennedy indicated that they are working on the Gasby requirements for Publication 67 & 68 that was being provided to the auditors.

He responded to a question about the concerns that over time moving the new employees to the Defined Contribution Plan will hurt the Defined Benefit Plan for non-uniformed. He indicated that would not happen because of the way the funding structures are for both plans. Unlike Social Security the ACT 205 MMO recalibrating plan funding for the appropriate benefits.

Mr. Colello made a motion to recommend the Ways & Means Committee look at contributing for the MMO now. Motion was seconded by Mr. Snyder. Motion carried unanimously.

Being no further business the meeting adjourned at 4:39pm on motion of Ms. Lyons, seconded by Mr. Snyder.

Respectfully submitted by:

Stephanie J. Mason

Secretary