

FINANCE AND ADMINISTRATION COMMITTEE

March 2, 2015

Present: M. Amoroso, R. Carlson, B. Clark, T. Sander

Review of Pension Plan

John Malloy, Jack Wilhelm, and Paul Robinson were present from PFM Asset Management to Review the Pension Plan with the Committee

1. 2014 Investment Performance

Mr. Malloy reported that 2014 performed favorably overall and provided detail on the market index performance. Total funds for the pension plan increased in 2014 by 5.46% to \$3,549,462, with a return on investment of \$186,883. He noted that this was less than the blended bench mark of 7.38% and stated that if the Township's funds included real estate it would have reached this goal. Although this is the case, Mr. Malloy explained that real estate did surprisingly well and he felt it would be risky to go back to real estate at this time. Regardless of not having funds in real estate, the pension plan in 2015 has already surpassed the bench mark for the last quarter. He then provided detail about what types of funds made up the market index.

Mr. Malloy reported that the pension plan remains in compliance with investment policy and discussed how the pension plan fund is allocated. He stated that the plan has a 60/40 mix, with a higher amount of equity than fixed income funds. He believes this mix has worked out well for the plan overall.

Mr. Malloy asked if the Committee had any questions regarding the 2014 performance report. No questions were asked.

2. Investment Policy Statement Update

Mr. Malloy stated that PFM reviewed the Policy Statement to see if any updates were needed. There were several changes recommended. While the majority of changes were minor and regarded terminology for investment categories, one significant change was proposed. Mr. Malloy recommended widening the ranges for the various asset classes in order to provide PFM more flexibility to manage them appropriately. He emphasized that while the range would be widened the overall target for the funds would stay the same. Mr. Malloy stated that if these changes were in place for the previous plan year, PFM could and would have made changes to the plan in order to improve its performance. Mr. Clark asked if by expanding the range allowed for more flexibility

with unusual market activity and Mr. Malloy answered in the affirmative. Mr. Malloy commented that it also assists with strategic allocations.

Mr. Malloy stated there was no immediate deadline for these updates and requested the Committee review the recommendations with Council.

3. Amendment to Investment Advisory Agreement

Mr. Malloy reported the current agreement bundles all fees together; however, this is no longer in the Township's best interest due to the increased use of index funds. Because index funds operate inexpensively, bundling all fees together provides PFM with a higher fee than needed. Therefore, Mr. Malloy recommended that the Township amend the Agreement to allow for a fixed fee to PFM for their services along with a separate fee to the fund custodian instead of bundling all fees together. He stated this would save .25%-.3% in fees. In order to do this, billings would change from quarterly to monthly effective April 1, 2015 and an amendment would need to be adopted by Council. Ms. Amoroso asked if PFM has done this with other municipality clients. Mr. Malloy stated this recommendation was provided to those who also had bundled fees.

Mr. Clark commented that he could include this amendment on the next Council agenda. Mr. Carlson and Ms. Amoroso instructed him to move forward and then thanked PFM for presenting the Performance review and recommendations.

Adjournment

This meeting was adjourned by Mr. Carlson at 6:15 PM.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'Amanda Allen', written in a cursive style.

Amanda Allen, Recorder