FINANCE AND ADMINISTRATION COMMITTEE

April 4, 2016

Present: R. Carlson, D. Helm, S. Galloway, B. Clark, T. Sander

Review of Employee Pension Plan

John Malloy was present from PFM Asset Management to Review the Pension Plan with the Committee.

Mr. Malloy handed out the Current Portfolio Review to members of the Committee. Mr. Molloy reported that in the year 2015 the investments performed favorably overall and he provided detail on the market index performance. The Federal Open Market Committee (FOMC) increased the federal funds rate by 0.25% at its December meeting. This was the first rate hike since 2006. The FOMC stressed its intentions to normalize rates at a gradual pace. The U.S. gross domestic product (GDP) grew at a 2% rate in the third quarter, down from the second quarter. China continued to allow the yen to weaken, ending the year at its lowest level versus the United States dollar in six years. The Chinese economy is still slow which concerns the world's second largest economy. It is expected to meet its economic targets for the year. Congress passed a $1.1 trillion spending and tax budget which lifted the 40 year ban on United States crude oil exports. The year ended with a strong job growth. The economy added 292,000 new jobs in December. This brought the 2015 tally to 2.65 million new jobs. The unemployment rate is 5%.

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 64.5% investment in stocks, and a 35.5% investment in bonds. Mr. Malloy reported on recent Portfolio changes; on March 9, 2016 PFMAM removed Federated Ultra-short fund and used the proceeds to purchase two High-yield funds, the Wells Fargo Short-term high yield bond fund and the Vanguard High-yield corporate fund. They also added the Vanguard REIT Index fund which was sourced from International Equities allocations.

The Middletown Township Employees' Pension Plan Assets were broken down as of March 31, 2016 as follows:

Vanguard Total Stock Market Index	1,030,303.16
Vanguard Dividend Growth Fund	346,159.26
JO Hambro International Select	151,093.26
Oppenheimer International Small Co	108,211.34
Vanguard Development Markets Index	388,473.33
Vanguard REIT Index Fund	149,338.26
Vanguard Inflation-Protected Fund	124,865.34

Baird Core Plus Bond Fund	378,274.55
Vanguard Intermediate-Term Inv	349,619.99
Wells Fargo Short-Term High Yield	48,560.63
Vanguard High-Yield Corporate	72,961.51
Metropolitan West Total Return	375,827.05
First American Government Obligation	75,135.41
Total as of March 31, 2016	3,598,913.09

Mr. Molloy stated that the pension ended at the first quarter up 1.37%. He believes that we will see positive returns although there is still some volatility in the market.

Mr. Molloy asked if there were any questions.

Mr. Carlson asked if the contributions were still based on 7 1/2% assumed portfolio performance and if there were no changes. Mr. Malloy reported that there were no changes.

Mr. Clark stated that the pension model assumes payroll expenses are increased by 5% per year also, but actual increases are much less.

Mr. Galloway asked about the cost of oil in the next quarter and the impact on investments. Mr. Molloy stated that there should not be any significant changes.

Mr. Clark asked about projections for the year especially with the upcoming presidential elections. Mr. Malloy stated that there will be an impact due to the elections but there will be no significant changes.

Adjournment

There being no further questions, the meeting was adjourned by Mr. Carlson at 6:00 pm.

Respectfully Submitted,

Sharon Browne

Sharon Browne, Recorder