

Minutes of Police Pension Plan– Regular Meeting - January 21, 2016 @ 7:30 p.m.

Attendees: John Malley, Tom Kowalski, Jim Kelly, Ann Shade, Larry Gregan, Tom Schatzman (via conference call)

Unable to attend: Michael Jenkins, Jeffrey McDonald

Call to order: 7:44 p.m. start of meeting

Review of Meeting Minutes

Minutes from the July 16, 2015 meeting were reviewed. Jim Kelly noted that his name was listed as an attendee, however, he wasn't at the meeting in July. A change was made to remove any references to Jim Kelly being in attendance. Minutes were approved as amended with a motion by Tom Kowalski and seconded by John Malley.

Investment Portfolio Report

Lord Abbott has been doing better; in July we talked about the performance; a copy of the GIMA Daily News bulletin from Morgan Stanley was distributed and reviewed. As of December 14, 2015 Lord Abbott has been taken off of the Watch List; they replaced the manager and he has been there for quite a while and has been very capable. We gave the advice to stick it out and we decided to stay with Lord Abbott. There was a consensus with the Committee to agree with that recommendation and to stay with Lord Abbott.

Ann Shade asked how Lord Abbott compared against Boston Partners (the company being considered to replace Lord Abbott). Per Tom Schatzman, it wasn't stock picking – did you have energy or not; if you had the drillers, then you really did badly. It's very similar to growth managers; if on Facebook, Amazon and Google, they did very well; if they didn't own those, they lost.

John Mally asked what is the review process of the managers? Per Tom Schatzman – once per quarter, we do a deep dive into the process; we reevaluate our opinion; once a month we talk to the managers to see if we agree with their positioning. What triggers a watch? - Personnel changeover-manager retired. He had a very good track record to this portfolio. Our process is always looking at performance – people, process and the ownership. Sometimes managers have a rough period and sometimes we move on. Asset flows are also considered.

Reviewed the Performance Summary Table – Harbor was a miss; they've done well since inception but they do not buy-in to what is going on in Japan. They were up 9%; now they are up 21%; they are very adamant that they will not buy Japan equities.

We have some European stock market – bottom line is in cash; we are not making anything but we aren't losing anything either.

We don't have any changes to recommend here; I'm very happy to have that much cash given what the market is doing.

Larry Gregan asked a question about drawing cash for benefit payments and whether we are doing that on a quarterly basis. Tom Schatzman stated that we work with your actuary – we do have 9-10 years locked away. We are also looking for the State to pitch in here. We assume some state aid. Larry stated that state aid assists us in meeting the MMO, but the Township needs

to come up with the balance. Tom Schatzman said that yes, the assumption is made in the MMO by the actuary and decides what is the State portion and what is the Township portion.

We lowered the interest rate from 8% to 6% which increases our cost, and also lowered the salary increase expectation from 6% to 5.5%. Tom Schatzman said that getting to 7% is very difficult to do. You are doing the best you can; I see some of your peers have had some pretty bad experiences investment-wise.

Larry Gregan provided a summary of the Montgomery Township Police Pension Plan Actuarial Valuation from Conrad Siegel Actuaries. John Malley mentioned that the rate was lowered from 8% to 7.5% and asked where does that rate fall? Is that still too high of an estimate? Tom Schatzman said that the lowest he's seen is 7.25%.

John Malley also asked a question relative to the Vanguard small cap fund; a discussion ensued that it's ETF – we don't track the Russell II anymore so the performance is a little misstated. Crisp US Small-cap growth is the comparison for performance. Every time we show you the Russell, we have to pay Russell. John Malley mentioned that the one-year number really jumps out; we are optimizing against the small-cap growth index; wanted to make sure that there is awareness of that.

Mr. Schatzman asked if there were any questions; there being no other questions or topics for discussion, the meeting was adjourned.

Meeting adjourned at 8:30 p.m. – motion by Jim Kelly and seconded by Tom Kowalski.