

WEST WHITELAND TOWNSHIP
PENSION ADVISORY BOARD MINUTES
July 22, 2020

Members Present

Tom Belisari
Jack Ellis
Denise Bailey
Chris Bamber
Victoria Griffith (Non-uniformed Representative)

Township Staff Present

Beth Jones, Finance Director
Mimi Gleason, Township Manager
Pam Gural-Bear, Asst. Twp. Manager
Caroline Partridge, Accounting Manager

Supervisors Present

Joshua Anderson

The meeting was called to order at 9:00 A.M. The meeting was conducted via Zoom due to the COVID-19 pandemic.

1. Approval of Minutes – April 22, 2020

Mr. Bamber made a correction to the minutes.

MOTION: To approve the April 22, 2020 Minutes, as corrected.

ACTION: A roll call vote was taken, and the motion was unanimously approved.
(Bamber/Bailey)

2. OPEB and Pension Plans YTD performance review

Bikram Chadra, Director of PFM, introduced Matthew Smith and Natalie Szymanski, Senior Analysts with PFM.

OPEB Trust:

Mr. Chadra provided a review of the performance of the OPEB Trust as of June 30, noting the swift recovery from the huge sell-off in February/March due to the uncertainty surrounding the COVID pandemic.

Ms. Gleason asked about the disconnect currently between the market and the economy. Mr. Chadra said PFM's strategist believes economic fundamentals will bring the market back down to a more realistic position as the uncertainties regarding COVID and the election continue.

The OPEB Trust had an overall 13.85% return with a benchmark of 12.96. Similar results were achieved in Fixed Income. Mr. Chadra explained the Fund changes that were made and why. He advised that the Asset Allocation is much closer now to the strategic target. He added that even though the market does not reflect economic reality at this time, PFM still wants to still be in a position to take advantage of it.

Mr. Belisari commented that PFM made four money manager changes already, reminding members that the Pension Advisory Board would not have been able to respond so quickly, stating a clear benefit of engaging PFM to manage the Pension Plans.

Police and Non-Uniform Pension Plans:

Mr. Chadra advised that the Plan assets were transitioned on July 2 from M&T Bank to US Bank as Trustee and Custodian, with implementation expected August 1, following asset allocation analysis. He then reviewed the modeling tool used to run simulations based on various assumptions and factors considered to see potential results. The Plans currently follow the 65/35 model (65 equity and 35 fixed income). He suggested switching to 60-40.

Mr. Chadra acknowledged the Township's commitment to the Pension Plans noting that very few municipalities have almost fully funded plans. Given that the Township's Plans are nearly fully funded, he advised against taking too much risk.

Prior to the hiring of PFM to manage the Plans, when cash was needed to meet pension obligations for the quarter, the Pension Advisory Board would issue a motion that included what should be sold to acquire the needed cash. Ms. Jones advised that moving forward, the Board will issue a motion approving the cash needs, but PFM will decide where the money comes from in conjunction with the approved investment targets and ranges.

Referring to the Investment Policy Statement, Mr. Chadra explained that the range for asset classes was so wide to provide PFM with latitude to react quickly in difficult economic environments.

Board members were in agreement with the 60-40 model and acknowledged that PFM is a discretionary advisor and trust that it will protect the assets in troubled or problematic environments such as the current one created by the COVID pandemic.

MOTION: To approve the PFM 60-40 model with the 20+/20- ranges and direction to update the targets and ranges outlined in the Investment Policy Statement drafts to reflect the new 60-40 model.

ACTION: A roll call vote was taken, and the motion was unanimously approved. (Belisari/Bamber)

MOTION: To approve cash needs of \$70,343 for the Non-Uniform plan and \$167,446 for the Police Plan.

ACTION: A roll call vote was taken, and the motion was unanimously approved. (Bamber/Bailey)

3. Review of Investment Policy Statements and discussion

Mr. Chadra reviewed the various sections of the Investment Policy and requested Board feedback on the proposed 30% cap on Other Assets (Alternatives) and language for the Prohibited Investments section restricting equity ownership in Sunoco LP and Energy Transfer

Partners. There was discussion on ownership/equity vs. lending/borrowing. Mr. Chadra said when clients divest from a particular company, it is typically from ownership and not fixed income as well. Ms. Gleason reiterated that the Township's long term goal is to divest from fossil fuels because of concerns for climate change and harm to the planet. Other ESG objectives may be considered in the future, but climate change is the priority for the Board of Supervisors at this time. Pension Board members were in agreement with the language proposed (IPS drafts, bottom of page 9). Ms. Jones suggested a deeper conversation in October on ESG goals to consider.

MOTION: To approve the Investment Policy Statements for both the Police and Non-uniform Plans as presented with the red-lined text and recently approved asset allocation model of 60-40.

ACTION: A roll call vote was taken, and the motion was unanimously approved. (Bamber/Bailey)

Adjournment

The meeting adjourned at 11:00 a.m.

Respectfully Submitted,

Beth Jones,
Recording Secretary