Pension Committee Meeting February 15, 2024

The stated meeting of the Pension Committee of the Board of Commissioners of the Township of Abington was held on Thursday, February 15, 2024 via webinar and the Township Administration Building, Abington, PA, with Commissioner Winegrad presiding.

**CALL TO ORDER:** 6:02 p.m.

**PRESENT:** Committee Members: Commissioner Winegrad, Commissioner Vahey, Commissioner Spiegelman

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| Employee Representatives: | Tim Clark, William Weir |
| Police Representative: | Officer Chris Posey |
| Finance Director: | Jeannette Hermann |
| Manager of Financial Services: | Monica Embery |

Others: Donald Grant, PFM
Janet Werner, Vice President, Wells Fargo Institutional Retirement and Trust

**CONSIDER APPROVAL OF MINUTES**

Commissioner Winegrad made a MOTION, seconded by Commissioner Spiegelman to approve Pension Committee Meeting minutes from November 16, 2023.

MOTION was ADOPTED 6-0.

**UNFINISHED BUSINESS:** None.

**NEW BUSINESS:**

Call for nominations and selection of Chair –

Commissioner Winegrad opened nominations for the selection of Chair.

Commissioner Winegrad nominated Commissioner John Spiegelman as Chairman of the Pension Committee, seconded by Commissioner Vahey.

Commissioner Winegrad asked for any other nominations. There were none. Nominations were closed by unanimous vote of 6-0.

Commissioner John Spiegelman was appointed Chairman of the Pension Committee by unanimous vote of 6-0.

<u>Call for nominations and selection of Vice Chair –</u>

Commissioner Spiegelman opened nominations for selection of Vice Chair.

Commissioner Vahey nominated Commissioner Stuart Winegrad as Vice Chairman of the Pension Committee, seconded by Commissioner Spiegelman.

Commissioner Spiegelman asked for any other nominations. There were none. Nominations were closed by unanimous vote of 6-0.

Commissioner Stuart Winegrad was appointed Vice Chairman of the Pension Committee by unanimous vote of 6-0.

<u>Fourth Quarter 2023 Pension Investment Performance Review –</u>

Mr. Donald Grant, PFM, reported the Russell 3000 returned 12.07% for the quarter, 25.96% YTD in the fourth quarter ending December 31, 2023. The drive has been the Magnificent Seven, which are companies that have done well regarding the Artificial Intelligence Trade: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, and Tesla. In 2023, they returned over 90% collectively.

The value of bonds was up 6.82% for the quarter driven by investor sentiment, and international equity - MSCI AC World ex USA was up 9.75% for the quarter, 15.62% YTD noting slow growth due to recession.

The only asset class that did not perform well was the Bloomberg Commodity Index Total Return due to higher supply, lower demand of petroleum oil driving the value down. The biggest challenge for the Federal Reserve is interest rates. Inflation is about 4%, which is above the 2% target having everything to do with services inflation, although the Service sector is relatively strong.

U.S. Treasury Yield Curve inverted back in 2022 resulting in an economic slowdown two years later.

Investment strategy overview - U.S. equities are slightly positive more so in mid-caps and small caps; neutral in non-U.S. equities but favoring international small caps as valuations are attractive; within Fixed Income we are neutral, but favor credit-sensitive sectors, and alternatives are neutral across the board.

Factors to consider over the next six months to a year: monetary policy is slightly negative as it depends on inflation, and valuations are attractive in mid and small caps both domestically and internationally, but we are cautious about being overweight given the higher volatility due to monetary policy, inflation, and this presidential election year, so we expect increased volatility within the markets.

**Abington Township Police Pension Plan:**

Abington Township Police Pension Plan Asset Allocation & Performance as of December 31, 2023 totaled $77,670,644 returning 9.70% for the quarter, 14.78% YTD, a bit of trailing performance for 2023 due to being overweight to small and mid-caps and then there were banking failures of regional banks, so there was fear that mid and small cap companies would not have access to the regional banks for their borrowing needs to maintain their operations.

Today, the plan's allocation to Champlain Mid Cap Core was closed as they have continued to underperform, so we will lock in the gains and lessen volatility in the portfolio.

Vaughn Nelson Select did not have the same amount of exposure to the Magnificent Seven, so they dragged for the quarter and the year as well, but the good news is that they did not change their strategy to chase performance.

International equity had a strong performance in the fourth quarter where the IT sector did well, and the Energy sector did not.

The fixed income allocation lagged the benchmark by 6.82% but was still up 6.56%.

Cashflows were reviewed with the Pension Committee.

Commissioner Winegrad said regarding the closure of Champlain Mid Cap Core; were those assets moved elsewhere within the portfolio?

Mr. Grant replied yes, we moved those assets to the Vanguard Total Stock Market ETF, so they will be spread out across the entire domestic equity market.

**Abington Township Non-Uniformed Pension Plan:**

Abington Township Non-Uniformed Pension Plan Asset Allocation & Performance as of December 31, 2023 totaled $64,029,033 returning 9.73% for the quarter, 14.84% YTD. Cashflows were reviewed with the Pension Committee.

Fourth Quarter 2023 OPEB Trust Investment Performance Review:

The market value of the OPEB Trust as of December 31, 2023 totaled $22,445,489 returning 9.79% for the quarter, 14.84% YTD. Cashflows were reviewed with the Pension Committee.

Commissioner Winegrad questioned whether the Township could make contributions more often as opposed to yearly.

Mr. Grant replied he has seen it done quarterly. It is called, “dollar cost averaging,” which is a way to smooth out volatility and something the Township may want to explore from a budgetary perspective.

**PUBLIC COMMENT:** None.

**ADJOURNMENT:** 6:42 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary