Pension Committee Meeting May 18, 2023

The state meeting of the Pension Committee of the Board of Commissioners of the Township of Abington was held via webinar on Thursday, May 18, 2023 with Chairwoman Commissioner Carswell presiding.

CALL TO ORDER: 6:00 p.m.

PRESENT: Committee Members: Commissioner Chairwoman Carswell Commissioner Vice Chairman Winegrad, Commissioner Vahey

Employee Representatives:	William Weir, Tim Clark
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 Carswell made a MOTION, seconded by Commissioner Winegrad to approve the Pension Committee Meeting minutes from February 16, 2023.

MOTION was ADOPTED 6-0.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

First Quarter 2023 Pension Investment Performance Review:

Mr. Grant reported the Russell 3000 Index returned 7.18% for the first quarter, a relatively strong performance. In the beginning of the year, investors assumed that the Federal Reserve would cut rates sooner than later; however, there were challenges within the economy due to collapsing of regional banks and whether there would be a resolution on the debt ceiling, which created a ripple effect in the small cap space and the markets reflect that level of uncertainty.

Unemployment was down about 3.4%, which is indicative of a strong labor market; however, the Fed raised interest rates at their last meeting, and signaled they will hold until they see whether the monetary policy has a positive effect on the economy. The high level of uncertainty and economic slowdown signals investment advisors to invest more conservatively and preserve capital.

MSCI AC World ex USA returned 6.87% for the quarter, and the Bloomberg U.S. Aggregate returned 2.96%, and as interest rates go down, the value of bonds increase.

U.S. inflation rate is coming down, although the labor force has ticked up, and we are keeping a close eye on consumer confidence and slow economic growth. The U.S. Treasury Yield Curve is inverted showing rates are coming down towards the long end of the curve and that is heavily influenced by investor activity.

Factors to consider over the next six to 12 months; monetary policy is negative, and the Fed will not be hiking rates for the time being, but how long will they hold. Inflation is coming down from all-time highs, but it is still a bit "sticky" from a services perspective. Economic growth is slightly negative due to the risk of recession therefore tightening financial conditions and bank failures. Consumer spending is neutral, but labor markets are slightly positive, and corporate fundamentals remain strong, although there is some deterioration in certain sectors.

Abington Township Police Pension Plan:

Abington Police Pension Plan Asset Allocation & Performance as of March 31, 2023 totaled $72,072,791, returning 5.71%, lagging the benchmark.

PFM Multimanager Domestic Equity fund returned 6.23% versus the benchmark at 7.18% due to performance of small and mid-caps. There was outperformance due to the plan's exposure to Champlain Mid Cap Core and Jacobs Levy Small Cap; however, both managers underperformed the Vanguard Total Stock Market ETF. An alert was sent to our clients that exposure to small and mid-caps was lowered within the domestic equity fund due to the volatility within the regional banking sector.

Nuance All Cap Value returned 3.48% for the quarter versus the benchmark at 7.18%, which has a value tilt to its portfolio with growth outperforming value, and it is underweight to information technologies and overweight to healthcare, which did not perform well.

Aristotle Atlantic Corp Equity returned 5.23% for the quarter versus the benchmark at 7.18% due to exposure to financial and healthcare.

Within international equity during the first quarter, PFM increased exposure to Schroders Global Emerging Markets, and PFM Multimanager Fixed Income Fund outperformed the benchmark at 3.10%.

Commissioner Winegrad said due to the uncertainty, is it expected there would be more exposure to domestic and international equity funds?

Mr. Grant replied we expect to stay closer to strategic targets as stated within the investment policy and now is the time to be defensive and hold until we have more clarity on inflation, the economy, and when the Federal Reserve will begin cutting interest rates.

Cashflows were reviewed with the Pension Committee.

Abington Township Non-Uniformed Pension Plan:

Abington Non-Uniformed Pension Plan Asset Allocation & Performance as of March 31, 2023 totaled $60,898,133, returning 5.16% for the quarter versus the benchmark at 5.63%. Cashflows were reviewed with the Pension Committee.

First Quarter 2023 OPEB Trust Investment Performance Review:

Investment Performance for the First Quarter ending March 31, 2023 totaled $20,561,534 returning 5.17% for the quarter versus the benchmark at 5.63%. Cashflows were reviewed with the Pension Committee.

Commissioner Carswell asked for any other comments from Commissioners. There were none.

Commissioner Carswell asked for any public comment. There was none.

PUBLIC COMMENT: None.

ADJOURNMENT: 6:31 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary