Pension Committee Meeting August 17, 2023

The stated meeting of the Pension Committee of the Board of Commissioners of the Township of Abington was held via webinar on Thursday, August 17, 2023 with Commissioner Vice Chairman Winegrad presiding.

**CALL TO ORDER:** 6:00 p.m.

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

Employee Representative: William Weir
Finance Director: Jeannette Hermann
Manager of Financial Services: Monica Embery

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

Announcement:

Commissioner Winegrad announced that all agenda items including the minutes are for information only and no vote will be taken this evening.

**UNFINISHED BUSINESS:** None.

**NEW BUSINESS:**

Item PC-01-091423:

Commissioner Winegrad said we will consider approving a change in fees for the Defined Contribution Plan participation to $20 per plan member annually and set the fee schedule as illustrated in Exhibit E.

Mr. Chris Tomlinson clarified that there will be no change in the fee schedule. Currently, the 457 Plan, which is the voluntary portion of the retirement plan, and the non-uniformed mandatory defined contribution plan are together under one umbrella although the money is segregated. It has been recommended by auditors throughout the Commonwealth to separate the two plans, which will generate another fee for participants, but the cost will be the same except for an annual recordkeeping fee that needs to be paid for both plans.

Ms. Hermann noted that this will affect five employees who will pay an additional $20 per year.

Commissioner Winegrad questioned whether any of those five employees voiced an objection.

Ms. Hermann replied there were none. Also, it was recommended that this item be brought before the Pension Committee as well as the Board of Commissioners as there is a change to the plan.

Commissioner Winegrad asked for any comments from Commissioners. There were none.

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

<u>Second Quarter 2023 Pension Investment Performance Review:</u>

Mr. Donald Grant, PFM, reported for the second quarter ending June 30, 2023, the Russell 3000 returned 8.39% for the quarter, 16.16% YTD. The domestic equity market has seen a significant increase in performance due to investor’s sentiment regarding AI (Artificial Intelligence). The growth index was up almost 30% YTD while the value index was only up about 5%. MSCI AC World ex USA returned 2.44% for the quarter, 9.47% YTD, and although it was a positive return, it was not as strong domestically due to China. The MSCI EM was up 0.90% for the quarter, 4.89% YTD, and although there were expectations that the Chinese economy would do well after loosening restrictions on its COVID-policy, it has been lackluster at best, so we are keeping a close eye on it.

Fixed Income – Bloomberg U.S. Aggregate was down -0.84% for the quarter, 2.09% YTD. Interest rates have risen since the beginning of the year resulting in a flat return for fixed income. There is the potential that the Federal Reserve will increase rates two more times before the end of the year and then cut rates beginning in 2024 as the economy is relatively strong with inflation decreasing and low unemployment.

Areas of focus to consider over the next year are monetary policy that remain neutral but depends on inflation; economic growth is slightly negative, although it is expected to slow due to higher interest rates; financial conditions are beginning to tighten where households and businesses are moving cash to money market mutual funds resulting in less cash that banks have on hand for lending; consumer spending remains strong and corporate fundamental earnings are coming in at or higher than expected.

<u>Abington Township Police Pension Plan:</u>

Abington Township Police Pension Plan Asset Allocation and Performance as of June 30, 2023 totaled $73,198,400 returning 3.13% for the quarter, 8.46% YTD. Plan performance was positive but underperformed the benchmark due to increased exposure to mid and small-cap companies, and then there were failures of the regional banks, so back in May, we lessened exposure to both mid and small-cap companies. Also, there was underperformance by both Vaughan Nelson and Nuance All Cap Value managers due to their investment strategy, but we like these managers in the long term and expect to see this type of performance in the short term.

Commissioner Winegrad questioned PFM's recommendations for the overall plan.

Mr. Grant replied we are close to benchmarks and do not intend to make any changes to Vaughn Nelson and Nuance at this time although we lowered allocations to both Champlain Mid Cap Core and Jacobs Levy Small Cap back in May. Also, in addition to the international equity fund, PFM added the "MSCI Emerging Markets excluding China ETF," which increases exposure to emerging markets excluding China, so there will be an underweight exposure to Chinese equities relative to the benchmark.

Commissioner Vahey commented that he supports lowering the plan's exposure to China.

Cashflows were reviewed with the Pension Committee.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Pension Plan Asset Allocation and Performance as of June 30, 2023 totaled $61,901,354 returning 3.36% for the quarter, 8.69% YTD. Cashflows were reviewed with the Pension Committee.

Second Quarter 2023 OPEB Trust Investment Performance Review:

Market value for the OPEB Trust Investment ending June 30, 2023 totaled $21,241,111 returning 3.31% for the quarter, 8.55% YTD. Cashflows were reviewed with the Pension Committee.

Commissioner Winegrad asked for any comments from Commissioners. There were none.

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

**PUBLIC COMMENT:** None.

**ADJOURNMENT:** 6:52 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary