ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING
via webinar

August 18, 2022

CALL TO ORDER: 6:01 p.m.

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

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

Others: Marc D. Ammaturo, Managing Director, PFM
Donald Grant, PFM
Janet Werner, Vice President, Wells Fargo Institutional Retirement and Trust

Note: Commissioner Vahey chaired tonight's meeting.

CONSIDER APPROVAL OF MINUTES:

Commissioner Vahey made a MOTION, seconded by Mr. Clark to approve the minutes of the Pension Committee Meeting of May 19, 2022.

MOTION was ADOPTED 5-0.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

Second Quarter 2022 Pension Investment Performance Review:

Mr. Ammaturo reported that all three asset classes were negative in the second quarter - Russell 3000 was -16.70%, -21.10% YTD; MSCI AC World ex-USA was -13.73%, -18.42% YTD, and Bloomberg U.S. Aggregate was -4.69%, -10.35% YTD.

PFM began getting defensive due to heightened inflation that led to the significant market selloff across all major asset classes and the concern was the Fed raising rates so high tilting the U.S. economy into a recession. However, in July, the market began stabilizing and there has been a reversal in the stock market rebounding in the third quarter. The Fed raised rates 75 basis points in both June and July focusing on bringing down inflation.

Growth in the U.S economy contracted in the first and second quarters of 2022 and the National Bureau of Economic Research will assess whether we are truly living through a recession.

Information technology sector is not the place to be in calendar year 2022.

Long-term rates, 10-year treasury bond has doubled from 1.5 to 3%, and when rates rise, that quickly causes bond prices to drop.

Officer Posey questioned whether PFM expects inflation to decrease over the next few months or by the end of the year.

Mr. Ammaturo replied the overall trend is that inflation will slowly come down over the remainder of the year as well as heading into 2023 because the Fed was aggressive in raising rates, and if it is determined the economy is in a recession, it will be mild and not severe.

Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation and Performance as of June 30, 2022, was $68,821,628, down -11.99% for the quarter, -17.37% YTD. Domestic equity returned -16.33% for the quarter versus -16.70% for its benchmark. PFM lowered exposure to the domestic equity to raise cash due to inflation as well as volatility in the markets because of Russia's invasion of Ukraine.

In June, PFM increased allocations in small and mid-caps due to earnings growth being better than expected, and this was an opportunity to buy low, sell high.

International equity returned -14.08% versus -13.73% for its benchmark, and in May, PFM lowered exposure to international equity for the same reason as domestic equity. In June, we reduced allocation to the active managers within the mutual fund due to inflation that is hurting other countries internationally as well as Ukraine's current conflict with Russia.

In August, an alert was sent indicating an increase in allocation to international equities specifically in developed markets. Also, there is exposure to real estate that is performing well, and fixed income returned -5.81% versus -4.69% for its benchmark. In May, we lowered exposure in domestic and international equities, and in June, PFM added iShares MBS ETF as we like the higher credit quality within mortgage-backed securities, which is another valuation opportunity to buy low, sell high.

Commissioner Vahey questioned whether the plans had investments in mortgage-backed securities previously, and if so, how does that market look going forward?

Mr. Ammaturo replied not directly, but some managers have mortgage-backed securities within their portfolios. When the market sells off, there are significant dislocations within certain sectors of the bond market, and iShares MBS sold off a lot more than it should in the first six months of the year, so it was an evaluation-plan to get in at an attractive value, and it should do well relative to the overall bond market.

Commissioner Winegrad questioned whether that is a short term or long-term measure.

Mr. Ammaturo replied it is short term, and they are agency mortgages backed by the Federal government.

Mr. Grant added that within fixed income, PFM made the decision to increase exposure to core and core-plus managers. Also, the plan has exposure to preferred securities as well as commodities.

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, 2022 was $59,917,751, down -11.92% for the quarter, -17.35% YTD. Cashflows were reviewed with the Pension Committee.

<u>Alternative Investment:</u>

Mr. Ammaturo asked for the status of adding the manager of Blackstone Infrastructure Partners to the plan as discussed during the last meeting.

Commissioner Vahey replied we will follow up on it.

PUBLIC COMMENT:

Lora Lehmann, resident, requested that a brief report from the Pension Committee be provided at the Board of Commissioners Regular Meeting; also, she asked if the information about this meeting is on a page or section of the Township website.

ADJOURNMENT: 6:47 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary