ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING
via Zoom

August 19, 2021

CALL TO ORDER: 6:22 p.m.

PRESENT:

Committee Members:	Commissioners Winegrad, Chairman-Vahey, Vice Chairman-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 Janet Werner, Relationship Manager - Wachovia, a Wells Fargo Company

CONSIDER APPROVAL OF MINUTES:

Commissioner Winegrad made a MOTION, seconded by Commissioner Carswell to approve the minutes of the Pension Committee Meeting of May 20, 2021.

MOTION was ADOPTED 6-0.

PRESENTATIONS: None.

NEW BUSINESS:

Consider referring all Investment Advisory Agreements between the Township of Abington and PFM Asset Management LLC ("PFMAM") to the Pension Committee for consideration at their meeting on August 19, 2021:

Mr. Ammaturo explained that U.S. Bancorp Asset Management has entered into an agreement to purchase PFM Asset Management and the deal will not close until December.

As a standalone company, PFM has experienced heightened IT costs as well as other increased costs, so by joining U.S. Bancorp Asset Management, they will provide deeper resources. We will continue to be known as PFM Asset Management, a division of U.S. Bancorp Asset Management in the marketplace. There will be no changes to PFM's team, service model, and investment committee, and the CEO of U.S. Bancorp Asset Management indicated they have no desire to get into our business on a day-to-day basis, and we will continue to put our client's interest first and foremost in managing their portfolios.

Commissioner Winegrad clarified that existing agreements with the Township of Abington require approval by the Board of Commissioners for this agreement to be assigned to U.S. Bancorp Asset Management. Is that correct?

Mr. Ammaturo replied his understanding is that it is a negative consent process. A letter was sent to the Township and signature and sending it back would signify that the Township is onboard with the change of control, or the literature could be discarded as it is a negative consent process.

Ms. Hermann added that it is a negative consent, although the Township Manager felt it was best to bring it before the Pension Committee as well as before the Board of Commissioners deeming approval of the assignment to U.S. Bancorp Asset Management.

Commissioner Winegrad commented that the Township hired PFM and not U.S. Bancorp Asset Management, although he is confident in PFM, he would like to be assured that PFM is still in charge and will continue to use their professional judgment in doing what is right for the Township's pension plan portfolios.

Mr. Ammaturo replied that U.S. Bancorp Asset Management has $160 billion under management and all of that pertains to fixed income investments and none of it pertains to building a multi-asset class portfolio in terms of pension investing for the long-term. There will be no hiccup in PFM's service model or change in the investment committee.

Commissioner Winegrad made a MOTION, seconded by Commissioner Vahey to approve the assignment of the Abington Police, Non-Uniformed Employees and OPEB Trust investment advisory agreements from PFM Asset Management to U.S Bancorp Asset Management.

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

Commissioner Winegrad asked for any public comments. There were none.

MOTION was ADOPTED 6-0.

<u>Second Quarter 2021 Pension Investment Performance Review:</u>

Mr. Ammaturo reported that equity markets continue to outperform up 8.44% for the second quarter and 15.11% YTD. International equity market up 5.48% for the quarter, 9.16% YTD.

There have been significant gains throughout 2021 especially in the U.S. largely driven by the Fed as their monetary policy is to keep interest rates very low as well as the stimulus package put in place when the pandemic hit early 2020, along with the Infrastructure Bill, which is the latest example of fiscal policy being implemented.

Inflation continues to be heightened and PFM layered in publicly traded real estate and commodities into the pension plans and those asset classes should do well in an inflationary environment. We still do not believe that we will enter in a period of hyperinflation, but more of the mindset that it is transitory. Other risk is the delta variant; will it get under control in the short-term and will there be an impact on consumer spending; keeping an eye on it.

FTSE NAREIT Equity REIT Index is publicly traded real estate up 12.02% for the quarter, 21.96% YTD. Bloomberg Commodity Index Total Return up 13.30% for the quarter, 21.15% YTD.

Challenge to asset class continues to be Fixed Income in which the plans are underexposed by a healthy margin, which has helped on a relative basis. Bloomberg Barclay U.S. Aggregate was up 1.83% for the quarter, down -1.61% YTD.

Growth in the U.S. economy; in two consecutive quarters there has been economic growth of approximately 6%, corporate earnings continue to be strong, which drive the stock market. Unemployment is still high on a relative basis but trending downward.

Also, PFM sent alerts to the Township dated May 10, 2021, and May 21, 2021.

Abington Township Police Pension Plan -

Abington Township Police Pension Plan Asset Allocation and Performance as of June 30, 2021, was $81,033,526, return up 5.89% for the quarter, 9.34% YTD outperforming by a healthy margin. PFM Multi-Manager Domestic Equity Fund outperforming 15.49% YTD and there were no changes in the lineup. PFM Multi-Manager International Equity Fund outperforming 9.23% with one recent addition in February 2021 - Artisan International Small-Mid Cap at 7.40% for the quarter. Kayne Anderson International Small Cap was just hired in May 2021 and Schroders Global Emerging Markets was hired back in 2020 at 7.33% YTD. Publicly traded real estate managers hired in April and both up approximately 12%. Fixed Income bounced back in the second quarter 2.07%, but YTD -0.83%. MainStay MacKay High Yield Corp Bond Fund was just hired in June 2021 as well as commodities.

Cash flows as of June 30, 2021, 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, 2021, was $72,491,434, return up 5.88% for the quarter, 9.35% YTD. Cash flows as of June 30, 2021, were reviewed with the Pension Committee.

Second Quarter 2021 OPEB Trust Investment Performance Review:

Mr. Ammaturo reported that OPEB Trust Asset Allocation and Performance as of June 30, 2021, was $22,630,347, up 5.87% for the quarter, 9.25% YTD. Cash flows as of June 30, 2021, were reviewed with the Pension Committee.

Commissioner Vahey clarified that retiree medical insurance reimbursements come from the OPEB Fund. Is that correct?

Ms. Hermann replied there are receipts and expenses, but none of it directly comes from the funds invested because there has not been a need.

Commissioner Vahey asked when would the Township need to tap into those funds?

Ms. Hermann replied that it would not be in the next few years as there are enough funds.

Commissioner Vahey clarified that he is not mistaken about the use of the funds for retiree medical; however, the Township has enough funds, so we do not need to have PFM make those reimbursements. Is that correct?

Ms. Hermann replied that is correct. Fund 5 is only for OPEB expenses, which is for retiree health and there are enough funds, so we do not need to draw back from what has been invested.

PUBLIC COMMENT: None.

ADJOURNMENT: 6:56 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary