Pension Committee Meeting November 16, 2023

The stated meeting of the Pension Committee of the Board of Commissioners of the Township of Abington was held on Thursday, November 16, 2023 via webinar and the Township Administration Building, Abington, PA, with Commissioner Winegrad presiding.

CALL TO ORDER: 6:01 p.m.

PRESENT: Committee Members: Commissioner Winegrad, Commissioner Vahey
Excused: Commissioner Carswell

Employee Representative:	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 Winegrad made a MOTION, seconded by Mr. Clark to approve Pension Committee Meeting minutes from August 17, 2023.

MOTION was ADOPTED 4-0.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

Item PC-01-121423:

Commissioner Winegrad made a MOTION, seconded by Mr. Clark to adopt Resolution No. 23-XXX setting the Police Pension contribution rate for 2024 at five percent (5%) of compensation.

Commissioner Winegrad clarified that this is subject to the police union contract negotiation. Is that correct?

Ms. Hermann replied it is part of the pension plan document as well as embedded in the collective bargaining agreement, and as the police pension plan continues incurring liabilities and not considered overfunded, then pension plan contributions are required to assist in keeping the plan funded. The rate has been the same for many years and the contribution for the non-uniformed pension plan is also 5%.

Commissioner Winegrad asked for any comments from members of the committee. There were none.

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

MOTION was ADOPTED 4-0.

Third Quarter 2023 Pension Investment Performance Review:

Mr. Donald Grant reported that for the third quarter ending September 30, 2023, the Russell 3000 returned -3.25% for the quarter, 12.39% YTD, and investors have realized that the Fed will keep rates higher for longer. Equity analysts at PFM are keeping a close eye on the "magnificent seven," which are companies that have done well regarding the Artificial Intelligence Trade: Alphabet, Amazon, Apple, Meta, Microsoft, Nvidia, Tesla, and their returns YTD as of September 30th constituted 75.4%. International equity - MSCI AC World ex USA was down -3.77% for the quarter, 5.34% YTD – internationally there is struggle against inflation. Fixed Income – Bloomberg U.S. Aggregate was down -3.23% for the quarter, -1.21% YTD, and as interest rates go up, market value of bonds goes down. There is some high yield credit within the portfolio, which was flat for the quarter, but positive 5.86% YTD.

U.S. inflation is still about 4%, although gasoline prices are down about 5% from last month. Keeping inflation "sticky" is services less housing, which is still about 5.5%. The American household is still spending extensively; however, we may see a slowdown on spending in the next six to 12 months, although the labor market is higher than pre-pandemic.

There has been an increase in manufacturing that will cause a challenge for the Fed to try to cool the economy down without going into a recession, but if there is a recession, best case scenario would be a "soft landing."

U.S. Treasury Yield Curve is inverted, which is an indicator of an economic slowdown, and we are keeping a close eye on it.

Asset classes remain neutral save for international small caps and credit sensitive sectors and we are not looking to actively overweight or underweight any large strategic asset class. Factors to consider over the next six months to a year: monetary policy is slightly negative; economic growth is neutral; inflation is still neutral currently; financial conditions continue to remain tight, but consumer spending is quite strong; labor markets are slightly positive; corporate fundamentals remain strong, and valuations remain attractive; and geopolitical risks continue to remain elevated.

Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation & Performance as of September 30, 2023 totaled $69,268,208 returning -3.74% for the quarter, 4.63% YTD. Underperformance in the quarter was due to both the domestic and international equity managers being somewhat underweight to energy as well as managers' challenging stock selection within Information Technology. The only change made to the portfolio was adding iShares MSCI Emerging Markets ex China ETF, which lowers the plan's exposure to China's equity.

Commissioner Winegrad said regarding underperformance, should PFM be looking into different allocations?

Mr. Grant replied that our research team has been in direct contact with the equity managers given their recent performance. Also, we are not taking too many chances regarding volatility.

Cashflows were reviewed with the Pension Committee.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Pension Plan Asset Allocation & Performance as of September 30, 2023 totaled $58,607,112 returning -3.72% for the quarter, 4.65% YTD. Cashflows were reviewed with the Pension Committee.

Commissioner Winegrad asked for any comments from members of the committee. There were none.

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

Third Quarter 2023 OPEB Trust Investment Performance Review:

Mr. Grant reported that the market value of the OPEB Trust as of September 30, 2023 totaled $20,446,272 returning -3.73% for the quarter, 4.60% YTD. Cashflows were reviewed with the Pension Committee.

Commissioner Winegrad asked for any comments from members of the committee. There were none.

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

PUBLIC COMMENT: None.

ADJOURNMENT: 6:27 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary