ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING
via Zoom

November 18, 2021

CALL TO ORDER: 6:18 p.m.

PRESENT:

Committee Members:	Commissioners Winegrad, Chairman-Vahey, Vice Chairman-Carswell
Employee Representatives:	William Weir, Tim Clark
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 Vahey to approve the minutes of the Pension Committee Meeting of August 19, 2021.

MOTION was ADOPTED 4-0. Commissioner Carswell was not in attendance at this time.

PRESENTATIONS: None.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

Third Quarter 2021 Pension Investment Performance Review:

Mr. Ammaturo reported that stocks were flat in the third quarter -0.10%; however, through September 30th, domestic stocks were up 14.99% YTD having a strong year; International equity-MSCI AC World ex USA was -2.99% for the quarter; 5.90% YTD. There was pullback in the growth of the economy in the third quarter that lead to this selloff due to the Delta variant and supply chain bottlenecks. Driving the markets is the Fed in terms of monetary policy where short term rates are very low and the fiscal policy relating to stimulus was injected into the system when the pandemic hit the U.S.

When the Fed increases interest rates it means the economy is on solid footing; however, the risk will be if they do it too soon and the economy falters, so we will monitor it moving into 2022. Corporate earnings support valuations as they continue to be strong in the U.S. driving stock prices higher and low interest rates support higher valuations.

The bond market has been negative on a YTD basis; however, Bloomberg Barclays U.S. Corp High Yield was 0.89% for the quarter; 4.53% YTD.

Commissioner Winegrad asked for any comments from Commissioners or staff.

Commissioner Vahey questioned the difference between YTD and the one-year in domestic equity. Also, if bonds are so weak, should more be moved into equity?

Mr. Ammaturo replied that implies that the fourth quarter of 2020 was very strong for the domestic stock market. We have been reducing fixed income and adding asset classes such as publicly traded real estate, commodities, convertible bonds, and preferred securities.

Abington Township Police Pension Plan -

Abington Township Police Pension Plan Asset Allocation and Performance as of September 30, 2021, was $79,902,285, return for the quarter was -0.23%; 9.09% YTD.

Plan has been overexposed to equities and underexposed to bonds resulting in relative outperformance as PFM is actively managing the portfolio tilting it based on its views.

PFM Multi-Manager had a positive return of 0.36% for the quarter; 15.91% YTD. Most of the assets are with Vanguard Total Stock Market ETF positive 15.18% YTD. Vaughn Nelson Select was 3.83% for the quarter; 24.37% YTD, and we are keeping an eye on Nuance All Cap Value.

International Equity Fund was -2.52% for the quarter; 6.48% YTD; iShares Core MSCI Total International Stock ETF was 5.90% YTD; and WCM Focused Growth International was 0.88% for the quarter; 12.47% YTD. Kayne Anderson International Small Cap manager was just hired in May and Schroders Global Emerging Markets and MSCI EM only focus on emerging markets.

Commissioner Vahey asked for the rational behind putting more assets into Vanguard in domestic equity as opposed to iShares international equity fund.

Mr. Ammaturo replied PFM believes that active managers can add value overseas as compared to the U.S. in getting a competitive edge relative to the market. When we trim fixed income, we put assets in equities and sometimes in other growth such as publicly traded real estate. Both managers - Cohen & Steers Inst Realty Shares and Principal RE Securities Inst Fund were just hired in April both over 13%. PFM Multi-Manager Fixed Income Fund was up 0.11% for the quarter; -0.72% YTD. Brandywine Global High Yield and MainStay MacKay High Yield Corp Bond Fund have generated positive returns for the quarter and YTD.

Commissioner Winegrad clarified that trending back to equity was done by trimming back on convertibles. Is that correct?

Mr. Ammaturo replied that is correct.

Cashflows were reviewed with the Pension Committee.

Commissioner Vahey asked for further explanation on the net flows as listed.

Ms. Hermann replied these are payments to retirees and the balance of the MMO is not required to be paid until December.

Abington Township Non-Uniformed Pension Plan -

Abington Township Non-Uniformed Pension Plan Asset Allocation and Performance as of September 30, 2021, was $71,440,599, return for the quarter -0.22%; 9.11% YTD. Cash flows were reviewed with the Pension Committee.

Commissioner Winegrad asked about other asset classes.

Mr. Ammaturo replied there are illiquid alternatives such as private real estate, private debt, and private equity, which require higher fees and cannot be touched for quite some time, and he would be happy to revisit it.

Commissioner Vahey said that he is interested in entertaining those types of investments and to bring any proposals before the Pension Committee for review.

Commissioner Winegrad agreed.

Mr. Clark was also in favor of pursuing those type of investments.

<u>Third Quarter 2021 OPEB Trust Investment Performance Review:</u>

Mr. Ammaturo reported that the market value for OPEB was $22,580,652, return for the quarter -0.21%; 9.02% YTD. Cash flows were reviewed with the Pension Committee.

Commissioner Winegrad asked for any comments from Commissioners or staff.

Commissioner Vahey questioned whether the net flows for OPEB are paid at the end of the year as well.

Ms. Hermann replied that the Township has not expended as much from OPEB as it did previously due to savings from the healthcare plan, and there is consideration of investment that needs further analyzing.

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

<u>Discussion regarding the request of ACT 205 Request for Proposal for 457 and DROP Program Advisors:</u>

Ms. Hermann explained that currently, the police department only has the option to invest their funds within the DROP Plan with ICMA and the request was made about investing in other agencies, so to do that, we need to send out for RFP. The goal is to create a short list of investment options in which the officers can select from to invest their DROP funds. A resolution will be drafted that will come before the Pension Committee and the Board of Commissioners.

Commissioner Winegrad said he is in favor of providing officers with options. He asked for any comments from Commissioners or staff. There were none.

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

<u>Item PC-01-120921:</u>

Commissioner Winegrad made a MOTION, seconded by Commissioner Vahey to adopt Resolution No. 21-XXX setting the Police Pension contribution rate for 2022 at five percent (5%) of compensation.

Ms. Hermann said contribution rate is currently at 5% and there is no change. The police pension plan document requires that this be put before the Pension Committee and the Board of Commissioners for review each year.

Commissioner Winegrad asked for any comments from Commissioners or staff.

Commissioner Vahey questioned whether it is required to be 5%.

Ms. Hermann replied no, years ago it was less, but it has been 5% for approximately 15 years.

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

MOTION was ADOPTED 5-0.

PUBLIC COMMENT: None.

ADJOURNMENT: 7:03 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary