Pension Committee Meeting November 21, 2024

The stated meeting of the Pension Committee of the Board of Commissioners of the Township of Abington was held on Thursday, November 21, 2024 via webinar and the Township Administration Building, Abington, PA, with Commissioner Spiegelman presiding.

CALL TO ORDER: 6:02 p.m.

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

Employee Representatives:	Tim Clark, William Weir
Police Officer Representative:	Officer 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. Tim Clark to approve Pension Committee Meeting minutes from August 15, 2024.

MOTION was ADOPTED 5-0.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

Item PC-01-121224:

Commissioner Winegrad made a MOTION, seconded by Commissioner Spiegelman to adopt Resolution No. 24-XXX setting the Police Pension contribution rate for 2025 at five percent (5%) of compensation.

Commissioner Spiegelman asked for any comments from Commissioners.

Commissioner Winegrad clarified that the rate has always been the same percentage. Is that correct?

Ms. Hermann replied yes, and the Pension Plan Act requires the Township to readopt the rate each year.

Commissioner Spiegelman asked for any public comment. There were none.

MOTION was ADOPTED 5-0.

Third Quarter 2024 Pension Investment Performance Review:

Mr. Donald Grant, PFM, said the Russell 3000 returned 6.23% for the quarter, 20.63% YTD noting the Magnificent Seven were driving the performance in the third quarter. In August, there was a bit of volatility as the jobs report showed unemployment ticked up to 4.3%.

Since we now know who won the election, we can anticipate how investors may interpret potential policies that could be enacted specifically tariffs and how it may affect the price of goods that will affect consumers, and we view that as somewhat inflationary, which is why the 10-year yield has begun to creep up.

The MSCI AC World ex-USA was up 8.06% for the quarter, 14.21% YTD indicating a bit of a reversal in emerging markets; however, in the fourth quarter it was down almost 7% due to volatility from China as well as a lot of geopolitical risks between Russia and Ukraine.

Fixed Income – the Bloomberg U.S. Aggregate was up 5.20% for the quarter, 4.45% YTD. FTSE Nareit/Equity REITs – Real Estate Investment had a strong performance up 16.09% for the quarter, 15.93% YTD. As rates fall, the value of bonds increase making mortgages and financing more attractive, so investors increase exposure to real estate.

Inflation has significantly moderated but remains stubborn as services have somewhat expanded, but manufacturing has contracted. We are predominately a service-based economy, which is the reason for the stickiness within inflation; however, we are above 3%, and across the board global central banks including the United States, the Bank of England, the European Central Bank and Canada are cutting interest rates to engineer a soft landing.

The Yield Curve is still inverted, and we feel the Fed can normalize the curve and bring inflation down to 2% without spiking unemployment.

Nine factors to consider over the next six to 12 months: Monetary Policy, Economic Growth, Inflation, Financial Conditions, Consumer Spending, Labor Markets, Corporate Fundamentals, Valuations, and Political Risk as summarized in the report.

Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation & Performance as of September 30, 2024 totaled $86,465,785, returning 5.49% for the quarter, 12.58% YTD. There was underperformance as several active international managers have exposure to Novo Nordisk A/S Pharmaceutical Company and they did not have good earnings during their second quarter as noted in their third quarter report.

Commissioner Winegrad asked what the plan is for those managers.

Mr. Grant replied we have discussed what necessary changes will need to be made to the manager selection, and they are on our internal watchlist. Also, there was an addition of a new manager, Cohen & Steers Realty Shares Fund, to increase the police pension plan's exposure to real estate that was funded from the international equity fund.

Cashflows and asset allocation 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, 2024 totaled $69,522,689, returning 5.49% for the quarter, 12.67% YTD. Cashflows and asset allocation were reviewed with the Pension Committee.

<u>Third Quarter 2024 OPEB Trust Investment Performance Review:</u>

The market value of the OPEB Trust as of September 30, 2024 totaled $25,279,421, returning 5.54% for the quarter, 12.65% YTD. The Pension Committee reviewed the account reconciliation.

Commissioner Winegrad clarified that the cost for retiree healthcare plan has increased. Is that correct?

Ms. Hermann replied yes, the costs will increase in January 2025.

PUBLIC COMMENT: None.

ADJOURNMENT: 6:39 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary