

**ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING**

August 21, 2018

CALL TO ORDER: 6:00 p.m.

PRESENT:

Committee Members: Chairman Kline-Vice Chairman Sanchez-Luker

Employee Representatives: Tim Clark, William Weir

Police Representative: Officer Chris Posey

Finance Director: Kevin Barron

Assistant Finance Director Jeannette Herman

Others: Marc D. Ammaturo, Managing Director, PFM

APPROVAL OF MINUTES:

Commissioner Kline made a MOTION, seconded by Commissioner Luker to approve the minutes of the May 16, 2018 Pension Committee Meeting.

MOTION was ADOPTED 6-0.

PRESENTATIONS: None.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

PFM's Multi-Asset Class Management:

Mr. Marc Ammaturo noted that following the launch of PFM's Multi-Asset Class Management the portfolios had just one month of performance and not a full quarter.

Quarterly Investment Review- Second Quarter 2018:

Although there have been headwinds of geopolitical risk and trade wars, the domestic stock market continues to do well largely driven by strong corporate earnings and a strong economy.

Russell 3000 was up 3.89% for the quarter with more gains made in small cap stocks. Russell 2000 was up 7.66% for the year and the plans have exposure to small cap stocks.

Commissioner Luker asked for definition of small cap stocks.

Mr. Ammaturo replied small cap stocks are stocks that have a market capitalization of approximately \$5 billion dollars and are the smallest companies that publicly trade.

Internationally equity – MSCI AC World ex-U.S. was down -3.77% for the year and trade wars are not good for anyone, but a lot worse for countries overseas especially emerging markets and MSCI EM was down -6.66% year-to-date.

Fixed Income – Bloomberg Barclays U.S. Aggregate was down -1.62% year-to-date due to interest rates. Bloomberg Barclays U.S. Corporate High Yield is still positive 0.16% for the year.

Growth in U.S. Economy had 4.1% growth for the second quarter, which is a large factor in why the U.S. Stock Market continues to do well and unemployment continues to drift down at 4.0%.

Information Technology sector is driving the U.S. Stock Market up 31% and Energy sector is also doing well up 21%; Consumer Discretionary up 23%, year-to-date.

Bond market has been challenged with movement from 2.3% to 2.86% over 10 years and that is a headwind to bond prices especially for treasury bonds, which cause bond prices to drop, and this is still below historical norms.

Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation & Performance as of June 30, 2018 was \$60,308,167 up 1.05% year-to-date and strong on a relative basis due to incremental return driven by overweight in domestic equity market relative to the policy.

Transition occurred in May to PFM Multi-Management Funds and 77% of domestic equity allocation is in an index fund driving down costs and capturing the market. There are three active managers trying to outperform the overall domestic equity market. 45% of international equity fund is in an index fund to drive down costs, but was down -1.88%.

The Quarter - Total Fund Market Value as of 4/1/18 was \$60,309,653; net flows (\$879,662) return on investment \$878,176; market value as of 6/30/18, \$60,308,167.

YTD – Total Fund Market Value as of 1/1/18, \$61,390,992; net flows (\$1,723,346); return on investment \$640,522; market value as of 6/30/18, \$60,308,167.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Pension Plan Asset Allocation & Performance as of June 30, 2018 was 57,701,244 up 1.05% year-to-date.

The Quarter - Total Fund Market Value as of 4/1/18 was \$57,623,217; net flows (\$767,233) return on investment \$845,259; market value as of 6/30/18, \$57,701,244.

YTD – Total Fund Market Value as of 1/1/18, \$58,564,333; net flows (\$1,473,171); return on investment \$610,083; market value as of 6/30/18, \$57,701,244.

Commissioner Kline asked does PFM anticipate any pitfalls over the next six months.

Mr. Ammaturo replied emerging markets is an asset class that has been discussed at length. Township's plans have exposure to emerging markets on the equity side and it has been troubled due to "trade talk" and that will be harmful for emerging economies; international overall, and because valuations are very attractive overseas as compared to domestic stock market, that is the reason why we have not reduced exposure. We will continue to monitor trade tariffs and valuations overseas.

Officer Posey asked about corrections in stocks that are overvalued and is the stock market due for a downturn?

Mr. Ammaturo replied we do not get overly concerned about corrections because that means there is a sell-off and will rectify itself in short order. What we manage against is a prolonged downturn in the market.

Item PENS-01-082118 – Motion to approve Resolution No. 18-037 – Minimum Municipal Obligation – Pension Plans:

Commissioner Kline made a MOTION, seconded by Commissioner Luker to recommend to the full Board to adopt Resolution No. 18-037 recognizing that the Township's minimum municipal funding obligation for the calendar year 2019 with respect to the Municipal Non-Uniformed Employee, Police and Non-Uniformed Employee Defined Contribution Plans, is \$518,168, \$1,907,290 and \$122,953, respectively.

Mr. Barron said this is required to be contributed to the pension plans to cover funding for the year and State Aid is not known until the budget is put together next month. This needs to be approved by September 30, 2018 for the year 2019.

Commissioner Kline questioned whether the Township should change the allocation for the Fund Balance policy and put money into the pensions.

Mr. Barron replied no, because there would be less for capital programs.

MOTION was ADOPTED 6-0.

PUBLIC COMMENT: None.

ADJOURNMENT: 6:42 p.m.

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