

**ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING**

May 22, 2019

CALL TO ORDER: 6:00 p.m.

PRESENT:

Committee Members: Chairman Kline-Luker-Vahey

Employee Representatives: Tim Clark, William Weir

Police Representative: Officer Chris Posey

Finance Director: Jeannette Hermann

Others: Marc D. Ammaturo, Managing Director, PFM

APPROVAL OF MINUTES:

Commissioner Kline made a MOTION, seconded by Commissioner Luker to approve Pension Committee Meeting minutes of February 19, 2019.

MOTION was ADOPTED 6-0.

PRESENTATIONS: None.

UNFINISHED BUSINESS: None.

NEW BUSINESS:

Quarterly Investment Review – First Quarter 2019:

Mr. Ammaturo said it was a strong start to the calendar year for markets across the board. Russell 3000 was up 14.04% in the first quarter; MSCI AC World ex- USA Small Cap was up 10.26% mostly due to the fact that the Fed indicated the increasing of raising short-term interest rates is on hold. Since the end of the first quarter, there has been an increase in volatility due to trade-war talk, but as of today, the stock market domestically is up 15%. International stock market was up 10% during the first quarter, and today, up 9%, a slight pull back in stocks overseas by 1%. Overall, the market continues to be resilient even in the face of all of the rhetoric trade talk we hear about in the news.

Bond market had solid returns – Bloomberg Barclays U.S. Aggregate was up 2.94% during the first quarter, and as of today, up 3.4%. Bloomberg Barclays U.S. High Yield was up 7.26% for the quarter, and now through May, up about 8%.

During the quarter, PFM took action by making de-risking moves in the plan; one was slightly reducing Corporate Credit exposure in the bond portfolio and the other was trimming equity due to significant gains, and both moves were explained in detail in alerts provided to the committee.

First Quarter 2019, the U.S Economy was growing at 3.2% on an annual basis, and if corporate profitability continues to grow, then stocks will do fine. Valuations are not stretched and earnings have been strong.

Internationally, valuations are not overextended and earnings have supported growth in stock prices. U.S. bond market represented by Bloomberg Barclays U.S. Aggregate Index rose 2.94% in the first quarter. Rates fell during the quarter in parallel fashion. Intermediate rates represented by the 5 and 10-year Treasury decreased 28 basis point each yield.

Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation and Performance as of March 31, 2019 was \$61,243,986; return for the first quarter was 9.48% overweight in equity markets relative to strategic long term target and overweight asset class helps on a relative basis. PFM Multi-Manager Domestic Equity Fund was up 13.70% and Champlain outperformed 16.73%; International equity; SSga Total International Equities has 45% of international equity dollars and Lazard and JO Hambro slightly underperformed for the quarter; Aristotle outperformed. In the aggregate, the plan has 42.26% domestically and 23.63% internationally. January 2016 to March 2019, the portfolio was up 8.28% v. the benchmark of 8.19%.

Following the first quarter, Jacobs Levy was hired in May as an additional manager and an alert was sent to the Pension Committee.

Fixed Income portion is 32.41% of the plan and that was up 3.75% v. the benchmark of 2.94% and four out of the five active managers outperformed during the quarter. Two de-risking trades were made as detailed in the alert; one was to reduce PineBridge IG Credit from 14% to 11% and that money went to the managers of PGIM and TIAA. Fund cash flow; the quarter began with \$56,796,565 net flows (\$892,682) return on investment \$5,340,104 and market value as of March 31, 2019 of \$61,243,986.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Plan Asset Allocation and Performance as of March 31, 2019 was \$57,560,109 return for first quarter 9.42% and managers are the same as the Police Plan. Fund cash flow; the quarter began with \$53,346,818 net flows (\$777,710) return on investment \$4,991,001 and market value as of March 31, 2019 was \$57,560,109.

Also, same trades were made to the Non-Uniformed Plan as to the Police Plan and were detailed in the alerts.

Last month, there was discussion about what can be done if volatility increases, and he sent a written brief to the Township on investment education, so that if PFM sees volatility, there is discretion to change the structure of the equity bucket of the portfolio to manage that volatility. Another way to manage it is to invest in private investments and information from the Municipal Pension Handbook indicates that it is up to the investment advisor to invest in what is known as the “Prudent Person Rule,” which says, “assuming the investment advisor finds an investment suitable then it is permitted to be invested in a Pennsylvania Municipal Pension Plan,” and this information was forwarded to the Township.

Commissioner Kline said that information sent to the Township Solicitor did not change their opinion at this time, so where does PFM get their information to advise clients that they can invest in real estate.

Mr. Ammaturo replied the Municipal Pension Handbook refers to the Prudent Person Rule that says, “If the advisor feels it is prudent it is permitted.”

Pension Committee will revisit this matter.

PUBLIC COMMENT: None.

ADJOURNMENT: 6:36 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary