

**ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING**

May 18, 2017

CALL TO ORDER: 6:00 p.m.

PRESENT:

Committee Members: Commissioners Bowman, Kline

Excused: Commissioner Hecker

Employee Representatives: Tim Clark, Kurt Dorn, Joseph Blei
Finance Director: Kevin Barron
Township Manager: Richard Manfredi
Commissioner: Ben Sanchez

Others: Marc D. Ammaturo, Managing Director with PFM

Minutes of February 21, 2017:

Commissioner Bowman made a MOTION, seconded by Commissioner Kline to approve the minutes of the February 21, 2017 Pension Committee Meeting.

MOTION was ADOPTED 5-0.

Quarterly Investment Review –First Quarter 2017:

Mr. Ammaturo reported that market index performance as of March 31, 2017; Domestic Equity - Russell 3000 was up 5.74%; YTD 5.74%. International Equity - MSCI AC World ex USA was up 7.86% in which international stocks outperformed domestic in the first quarter and continue to rally this year. Fixed Income returns will be fairly muted as Bloomberg Barclays Aggregate was 0.82% in the first quarter and bonds are about 2% positive for the year and expected is 1.5% or 2% annualized from bonds for the next five years due to a headwind in bond prices.

Portfolio shows that we layered in credit and high yield bonds and Bloomberg Barclays US Corp High Yield was up 2.70% in the first quarter and high yield continues to outperform in the overall bond market.

U.S. Economy grew in the fourth quarter at 2.1% and we are expecting muted growth in that 2.0-2.50% range, which should be fine for the stock market as it is a slow, but positive growth environment, and unemployment was down by 4.50%. Price to earning ratios, which is a valuation measure for stocks, and back in March 2012, it was at 14, which is the domestic stock market and it moved to 18 in March 2017. Valuation of international stock market was 11 back in March 2012 and 15 in March 2017. Trend has been up in international stocks, but not to the same extent as domestic stocks.

Abington Township Police Pension Plan – Asset Allocation & Performance as of March 31, 2017 was \$56,499,964, quarter return was 4.55%. Over the last 10 months, plan has been up by 10%. 41% of domestic equity out of 45% is indexed through Vanguard to drive costs down. Vanguard International Value outperformed 8.06% and Oppenheimer International Small-Mid Company outperformed 9.40%. For Fixed Income, Metropolitan West Total Return and Baird Core Plus outperformed overall bond market for the quarter.

Targets in investment policy statement are 65% in equity market; 35% in bond market, so the plan is overweight in equities at 68% and underweight in bonds at 32%.

Abington Township Non-Uniformed Pension Plan – Asset Allocation & Performance as of March 31, 2017 was \$53,853,676, quarter return was 4.56%.

Both the Police and Non-Uniformed Pension Plans had negative cash flows.

Commissioner Bowman questioned whether negative cash flows should be addressed in both plans.

Mr. Ammaturo replied we can perform an asset liability study reviewing how assets and liabilities will grow overtime and report back on that analysis. Also, provided to the committee was the multi-asset class portfolio update dated, February 24, 2017. Another memo will be sent to the committee early next week regarding a trade on a slight move on more exposure towards international.

Manager Manfredi asked for a prediction on the second quarter and questioned whether moving towards more exposure to international is a smart move.

Mr. Ammaturo replied it is hard to make quarterly predictions as we try to look further than that, and second quarter has been volatile. It was a very small move at 1% to international and when a trade is made it is at least a 12-18 month move. We are starting to see more reason to be comfortable with international equity equal if not slightly overweight, which has not been that way for quite some time.

Discussion – Changing of Expected Interest:

Mr. Barron said we asked the actuary to change the assumption rate to 7.25% or 7.0% to see the effect, so by changing the rate to 7.25%, the non-uniformed plan will be an additional contribution amount of \$210,000.00 and for the police plan it would be an additional \$340,000.00. So it would be \$500,000.00 more in contributions from the Township to lower it to 7.25% and \$1.2 million if the rate was lowered to 7.0%. There is no benefit to the Township by changing it, but if it is changed, it will be more money the Township is obligated to contribute.

Manager Manfredi added that if the Township contributes more, that may affect State Aid, and he suggested getting a quote from the actuary to analyze what the actuarial impact would be to the plans if the rate was changed.

Commissioner Kline said the impetus was that we are beginning to see negative cash flows.

Mr. Barron said the committee will review valuation report by actuary at our next meeting in August.

ADJOURNMENT: 6:45 p.m.

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