

**ABINGTON TOWNSHIP  
PENSION COMMITTEE MEETING**

**November 19, 2019**

**CALL TO ORDER:** 6:11 p.m.

**PRESENT:**

Committee Members: Vice Chairman Vahey-Luker

Employee Representative: William Weir

Police Representative: Officer Chris Posey

Finance Director: Jeannette Hermann

Commissioner: Stuart Winegrad

Others: Marc D. Ammaturo, Managing Director, PFM  
Janet Werner, Relationship Manager, Wells Fargo

**APPROVAL OF MINUTES:**

Commissioner Luker made a MOTION, seconded by Commissioner Vahey to approve the minutes of the Pension Committee Meeting of August 20, 2019.

MOTION was ADOPTED 4-0.

**PRESENTATIONS:** None.

**UNFINISHED BUSINESS:** None.

**NEW BUSINESS:**

Quarterly Investment Review – Third Quarter 2019 – PFM:

Mr. Ammaturo reported that it has been an exceptional year for the stock market and Russell 3000 was up 20.09% for the year. Russell 2000 - small cap stocks have not kept up with large cap although they were up 14.18% through September. Stock market was up six weeks in a row and that will continue due to central banks reducing rates. U.S. economic growth was positive 1.19% in the third quarter and consumer confidence is still high in which they account for about 70% of the economy with the retail sector doing well. Germany's economy contracted last quarter, but was positive in the third quarter, so they are not in a recession.

Fixed Income Bloomberg Barclay U.S. Aggregate was up 2.27% for the quarter and up 8.52% for the year. Long term rates declined and bond prices rallied and that is why bonds are up 8.5%; high yield was up 11% for the year. PFM sent an alert dated November 7, 2019 of a slight increase in equities. U.S. Economy continues to grow in the ballpark of 2% and stocks do well in that environment. U.S. Treasury Yield Curve with ten-year trading in the third quarter at 1.67%, and 12 months ago it was 3%, so that was a big drop and that is why bond prices rallied.

Also, a summary of factors to consider over the next six to 12 months was provided to Pension Committee.

Commissioner Luker asked about long-term rates.

Ms. Ammaturo replied long-term rates had a plateau, although slightly rising now, and bond prices will go down.

Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation and Performance as of September 30, 2019 was \$62,184,433, return for the quarter 0.92% and 14.36% YTD. PFM Multi Manager Domestic Equity Fund was up 19.57% YTD and benchmark was up 20.09% and reason for slight lag was due to overweight in small caps as they have not kept up with the overall market. Active Managers; Vaughan Nelson, Nuance and Champlain outperformed on YTD basis. Jacobs Levy has not been in the plan for one full year as they were just hired in May. Internationally, there was a slight out-performance for the year at 11.89% v. the benchmark at 11.56% with Lazard, Aristotle and JO Hambro beating their benchmark on YTD basis.

Fixed Income was outperforming at 9.12% YTD v. the benchmark at 8.52%. There are five active managers and four out of five outperformed. The only laggard was Nomura High Yield as they had bonds in the energy sector that did not keep up with the high yield rally, so they are under scrutiny.

Cash flow as of 10/1/18 was \$61,484,118, net flows (\$1,639,228), return on investment \$2,359,544, and as of 9/30/19, \$62,184,433.

PFM decided to make a slight 1% increase to equities relative to fixed income as noted in the November 7, 2019 memo provided to the Pension Committee.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Pension Plan Asset Allocation and Performance as of September 30, 2019 was \$58,528,496, return for the quarter 0.94% and 14.33% YTD with the same manager lineup.

Cash flows as of 10/1/18 were \$58,886,256, net flows (\$2,533,749), return on investment \$2,175,989, and as of 9/30/19, \$58,528,496 due to outflow to retirees.

Golub Capital Partners XII, L.P.

Presentation of Golub Capital Partners XII, L.P. was provided to the Pension Committee.

Mr. Ammaturo said PFM is the discretionary manager of Police, Non-Uniformed and OPEB plans and PFM's investment committee makes manager changes and then sends alerts if they make a trade. PFM has not implemented Golub Capital Partners XII, L.P. Manager into the plan because it is illiquid and the funds cannot be touched for eight -10 years. The returns are expected to be north of 8% and this would come from fixed income, and fixed income returns over the next five years will be in the ballpark of 2%.

This is pricey because it is private investing and the Township would pay a management fee as well as a performance fee. Performance fee is based on, if this manager generates a return of a certain amount, they will keep 20% of excess return. This manager is being presented for consideration as it would enhance the portfolio.

If Pension Committee decides to move forward with this private company, capital for Golub would be sourced from fixed income allocation. These are private investments that are not prone to volatility of the stock market or volatility of the bond market. They go through a fundraising period where they raise money from institutional clients and aggregate those assets and then make the loans to the corporations, and the opportunity will close by June 2020, and then they will grant loans - Vintage 2019 Fund. Performance target is 10.5% - 13.5% and it is a diversified portfolio of loans.

Commissioner Luker questioned whether Golub would replace another investment manager.

Mr. Ammaturo replied no, they would not. It would be sourced from existing Fixed Income manager, which would be trimmed not terminated.

Ms. Hermann commented that if Pension Committee is interested in Golub Capital Partners, it should be vetted through Township Manager and Township Solicitor's Office.

Item PENS-01-121219 – Motion to Approve Resolution No. 19-028 – Amending Police Pension Plan Document Pertaining to Member Contributions:

Commissioner Luker made a MOTION, seconded by Commissioner Vahey to adopt Resolution No. 19-028 setting the Police Pension contribution rate for 2020 at five-percent (5%) of compensation.

MOTION was ADOPTED 4-0.

**PUBLIC COMMENT:** None.

**ADJOURNMENT:** 6:58 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary