

**ABINGTON TOWNSHIP  
PENSION COMMITTEE MEETING**

*February 18, 2020*

**CALL TO ORDER:** 6:03 p.m.

**PRESENT:**

Committee Members: Commissioners Chairman Winegrad,  
Vice Chairman Vahey (6:11 p.m.), Luker

Employee Representatives: William Weir, Tim Clark

Police Representative: Officer Chris Posey

Finance Director: Jeannette Hermann

Others: Marc D. Ammaturo, Managing Director, PFM

**APPROVAL OF MINUTES:**

Commissioner Winegrad made a MOTION, seconded by Commissioner Luker to approve the minutes of the November 19, 2019 Pension Committee Meeting.

MOTION was ADOPTED 5-0. Commissioner Vahey was not present at this time.

**PRESENTATIONS:** None.

**UNFINISHED BUSINESS:** None.

**NEW BUSINESS:**

Quarterly Investment Review – Fourth Quarter 2019:

Mr. Ammaturo reported that markets performed exceptionally strong last quarter of 2019. Russell 3000 Index was up 9.10%; 31.02% YTD and trend continues in 2020. MSCI AC World ex USA was up 8.92% for the quarter and 21.51% YTD. The Fed reduced interest rates three times in 2019, which is a tailwind for corporate earnings driving stock prices. The Township's plan is overweight equities that were increased in November. Fixed Income; Bloomberg Barclay U.S. Aggregate was up 0.18% for the quarter, 8.72% YTD. Stocks were up significantly last year and so were bonds and bonds appreciated because long term interest rates declined significantly. Growth in U.S. economy was 2.2%, and not declining, so corporate earnings are doing well and stock prices are benefiting in that environment. Info Tech stocks were strong in 2019 up 50.29% YTD.

10-year Treasury traded at 2.5% in the beginning of 2019 ending at 1.92% that led to the bond market rally. Consumer confidence has been strong domestically as consumers account for 65% of growth and they continue to spend and retail sector is benefiting, which is the largest component of the U.S. economy and corporate fundamentals continue to be strong as well.

Commissioner Luker asked about the valuations.

Mr. Ammaturo replied valuation of the domestic stock market is within reason relative to the history and the plan is slightly overweight in international stocks, but more bullish domestically.

Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation and Performance as of December 31, 2019 was \$66,942,941, return for the quarter was 5.95% and return for the year was 21.17% slightly outperforming the benchmark due to overweight in equity markets relative to the bond market. SSgA Russell 3000 was up 31.07% for the year Nuance All Cap Value outperformed for the year 31.33% v. 31.02% as well as Champlain 27.82% v. 26.20% and the only laggard was Vaughan Nelson Select that was 29.17% v. 31.33% for the year.

International Equity; SSgA was up 21.63% YTD. There were three active managers for the entire year and three new active managers were just hired; WCM was hired in December 2019, Acadian and Schroders were hired in January 2020, and Lazard, Aristotle and JO Hambro outperformed in 2019.

Fixed Income was up 9.59% in 2019 and four out of five active managers outperformed, and the only laggard was Nomura High Yield at 13.42% v. the benchmark of 14.32%.

Cash flows were positive in the quarter at \$1,024,067 and negative (\$1,621,177) YTD.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Pension Plan Asset Allocation and Performance as of December 31, 2019 was \$61,749,286, return for the quarter was up 5.98% and return for the year was up 21.16% slightly outperforming on a relative basis. Cash flows were negative during the quarter at (\$269,874) and (\$2,622,336) YTD. Managers are the same as the police plan.

Alerts were sent to the committee dated November 7, 2019 and January 31, 2020 as well as a Q&A dated January 2020 on PFM's current thinking on "hot button" issues in the capital markets.

Commissioner Vahey noted that he has not been receiving alerts.

Mr. Ammaturo made note of it. Regarding private investments; he mentioned last month about an illiquid investment that would be sourced from fixed income in putting money aside for at least eight years; fees are higher, but potential expected returns are higher at approximately 10%.

Commissioner Vahey said previously discussed was getting an opinion from Township Solicitor.

Ms. Hermann replied she has not received an opinion from Township Manager or Township Solicitor; however, she will follow up on it.

Mr. Ammaturo said Golub Capital Partners XII, L.P. fund raises and then closes the fund to new dollars, and there is another close coming April 1<sup>st</sup> and documents would need to be signed by March 13<sup>th</sup>. There is a final close of July 1<sup>st</sup> with documents signed by June 12<sup>th</sup>.

Officer Posey asked for the amount of allocation.

Mr. Ammaturo replied 3% allocation or \$2 million dollars from each plan and there would be a performance fee. Golub would set a target return of 8%, and if they outperform 8%, they keep 20%, so they would get 1% on the assets and 20% of any returns generated over 8%.

Commissioner Winegrad said although we will wait for an opinion by the Solicitor; is this done by other municipalities?

Mr. Ammaturo replied yes, and it is his job to bring ideas to the table that makes financial sense.

Commissioner Winegrad asked about assessing risk.

Mr. Ammaturo replied history of 11 funds was over 9% and private investing is not prone to stock market volatility.

Mr. Clark said he is in favor of it.

Officer Posey said he is also in favor of it.

Commissioner Vahey said we will get an opinion from Township Solicitor and then make a decision before the next meeting.

Commissioner Winegrad made a MOTION, seconded by Commissioner Vahey to recommend approval of private investment as specified by Mr. Ammaturo subject to the Township Solicitor's opinion of approval as well as by the full Board.

Commissioner Winegrad asked for any public comments.

Lora Lehmann, 1431 Bryant Lane, asked for the interest rate of the bond market.

Mr. Ammaturo replied last year, the bond market generated 9%, which is an anomaly. Projection for bonds for the next five years is about ½%.

MOTION was ADOPTED 5-0.

**PUBLIC COMMENT:**

Lora Lehmann, 1431 Bryant Lane, said another resident filed a "Right To Know" request for the actuarial report and was denied.

Commissioner Winegrad replied there is a procedure for denial of a "Right To Know" request and that resident needs to follow it.

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

Respectfully submitted,

Liz Vile, Minutes Secretary