

**ABINGTON TOWNSHIP  
PENSION COMMITTEE MEETING  
via Zoom**

*May 19, 2020*

**CALL TO ORDER:** 6:14 p.m.

**PRESENT:**

Committee Members: Commissioners Chairman Winegrad,  
Vice Chairman Vahey-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 Pension Committee Meeting of February 18, 2020.

MOTION was ADOPTED 6-0.

**PRESENTATIONS:** None.

**UNFINISHED BUSINESS:** None.

**NEW BUSINESS:**

Quarterly Investment Review – First Quarter 2020:

Mr. Ammaturo reported that PFM has been active during this time to manage the portfolio and took significant action at the end of March to reduce risk in pension and OPEB plans. Equity exposure was reduced by approximately 20% and those assets were moved to fixed income and cash.

During the first quarter, the domestic stock market was down -20.90%; international equity was down -23.36%, although the bond market was a safe haven up 3% and that segment was treasury bonds.

Currently in the second quarter, the stock market was down -9% due to the Federal Reserve continuing to inject significant liquidity into the markets as well as the flattening of the curve in terms of COVID-19 cases excluding New York. Also, the market is predicting a “V” shape recovery of the economy in that it is retracting and then rebounding right back up; however, PFM does not believe it will rebound quickly and it will take time to get back to where it was.

Contraction of U.S. economy is -4.8% as COVID-19 crisis hit hard in March at the tail end of the first quarter; estimate for the second quarter is contraction by -25%; unemployment was 4.4% at the end of March and April it is 14.7%. PFM maintains defensive positioning in the Township’s portfolios reducing risk and remaining committed to that stance. Healthcare and Information Technology sectors have held up, and the stock market was up about 13% in the month of April and that was the best month it had since 1987.

Bond market signals a recession with the ongoing crisis, but there was disconnect between the bond market and equity market. Returns in the bond market were positive overall, but there was a tight window of opportunity to capture positive returns.

PFM sent numerous alerts that were included in the report and held two client webinars to communicate proactively.

Township’s targets were 65% equity and 35% fixed income, and at the end of last year, equity was overweight 71% and PFM was comfortable with that; however, that changed in February once the COVID-19 crisis hit. So the 71% target was decreased to 52% and that was moved to fixed income and cash to reduce risk of the overall plan.

#### Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation and Performance as of March 31, 2020 totaled \$57,125,854, return for the quarter -13.46%. PFM Multi-Manager Domestic Equity Fund was -19.97 v. the benchmark of -20.90%. Champlain Mid Cap Core was -19.35% v. the benchmark of -29.70% and that manager did a good job on a relative basis as they doubled their weight in the healthcare sector, which was a good place to be.

PFM Multi-Manager International Equity Fund was down -23.70% for the quarter v. the benchmark -23.36% and there are some new managers listed; WCM Focused Growth International’s first quarter return was -17.03% v. the benchmark -23.36% and they were hired at the end of last year. All of the other managers generated returns close to the benchmark. Fixed Income was not as strong on a relative basis; PFM Multi-Manager Fixed Income Fund was -1.58% and the bond market up 3.15% as the returns in the bond market were focused in the treasury space and that is not where these managers invest.

Cash flows for the quarter \$66,942,941, net flow (\$912,040), return on investment (\$8,905,047) and ending market value of \$57,125,854.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Pension Plan Asset Allocation and Performance as of March 31, 2020 totaled \$52,664,720, return for the quarter -13.50%. Cash flows for the quarter \$61,749,286, net flow (\$844,896), return on investment (8,239,670) and ending market value of \$52,664,720.

Commissioner Vahey asked how is the fixed income space better for the plan?

Mr. Ammaturo referring to the police plan; Russell 3000 is the proxy for the domestic stock market -20.90%, MSCI AC World ex USA -23.36%, which are the benchmarks for domestic and international investing, and PFM reduced exposure moving it to Fixed Income as assets did better than equities by far. We took that money from equity managers that were down -20.90% in the first three months of the year and moved it to an asset class that was only down 1% and those trades were approved at the end of February.

Commissioner Vahey questioned whether PFM has considered replacing any managers?

Mr. Ammaturo replied PFM is considering replacing Nomura High Yield. They invest in lower credit quality bonds and the plan has 5% fixed income allocation and Nomura has been struggling on a relative basis. Since it has been a rare market event, we want to give the other managers the ability to rebound as the bond market normalizes.

Commissioner Winegrad questioned whether PFM will continue to be conservative over the next three to six months.

Mr. Ammaturo replied PFM reacts on fundamentals of the economy as well as corporate profitability and the entire economy will contract 30-40% in the second quarter. We have been meeting around the clock to decide what is prudent for our clients. During our recent meeting on May 11<sup>th</sup>, we reconfirmed our defensive stance and sent an alert addressing the rational. It is hard to say what will be in the next six months, but the feeling is that the economy will not get back to normal until there is a vaccine for mass distribution. The Federal Reserve indicated they will do whatever it takes and they have bought corporate bonds to maintain their value, and going forward, the Fed could potentially buy equities to keep the domestic stock market on solid footing, which they have never done.

Officer Posey expressed concern about debt of U.S. economy from stimulus packages.

Mr. Ammaturo replied the debt is astronomical and it is inevitable that taxes will rise at corporate/individual levels to pay off that debt.

Commissioner Luker asked about more frequent updates prior to the next scheduled meeting due to these troubled times.

Officer Posey said he would also like to see updates on equity markets and fixed income in a month instead of waiting until the August meeting.

Mr. Ammaturo replied PFM has discretion to move assets in real time and he will speak with his team about sending updates monthly as opposed to quarterly.

**PUBLIC COMMENT:** None.

**ADJOURNMENT:** 7:05 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary