

**ABINGTON TOWNSHIP  
PENSION COMMITTEE MEETING  
via Zoom**

**August 18, 2020**

**CALL TO ORDER:** 6:01 p.m.

**PRESENT:**

Committee Members: Commissioners Chairman Winegrad  
Vice Chairman Vahey

Employee Representative: William Weir  
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 Vahey to approve the minutes of the May 19, 2020 Pension Committee Meeting.

MOTION was ADOPTED 4-0.

**PRESENTATIONS:** None.

**UNFINISHED BUSINESS:** None.

**NEW BUSINESS:**

Quarterly Pension Investment Performance Review for Second Quarter 2020:

Mr. Ammaturo noted that it was requested in May for PFM to provide monthly performance reports to be sent to the Pension Committee and a report was submitted in July.

Overall domestic stock market, Russell 3000 was up 22.03% in the second quarter ending June 30<sup>th</sup> and -3.48% YTD; international stocks – MSCI AC World ex USA was up 16.12% and -11.00% YTD. Stock market rally was due to the Federal Reserve's \$2 trillion dollar relief package issued to support corporations and consumers and there has been talk about another stimulus package coming soon.

Another reason for the rally is the expectation that the economy will recover quickly as well as the plateau of COVID cases flattening the curve.

Contraction of the U.S. economy in the second quarter was -34.5% and prior quarter was -.05% although third quarter shows a spike at 19.9%; unemployment rate 11.1%.

Bond market; Bloomberg Barclay U.S. Aggregate was up 2.90% for the quarter, 6.14% YTD and bonds have done well because long term rates have declined. 10-year Treasury yield was 2% 12 months ago, and today, the rate is 0.66%. This is an asset class that will be a challenge going forward in garnering significant returns, so PFM will further diversify the portfolio. PFM will send an alert to the committee that it will slightly reduce fixed income and move some of those funds to international equity.

#### Abington Township Police Pension Plan:

Abington Township Police Pension Plan Asset Allocation and Performance as of June 30, 2020 totaled \$63,994,780, return for the quarter 13.74%, -1.57% YTD; domestic equity YTD -3.10 v. the benchmark -3.48%. PFM is keeping a close eye on Nuance All Cap Value, which was -9.95% v. the benchmark -3.48 and it is a manager underweight in the information technology sector and consideration is being given to replace them. Champlain Mid Cap Core YTD 2.20% v. the benchmark -12.78% and PFM recently increased their allocation from approximately 8 to 10%. International equity YTD -10.00% v. the benchmark -11.00%. WCM Focused Growth International YTD 2.74% v. the benchmark -11.00% and their allocation was increased by approximately 15 to 17%. JO Hambro International Small Company has not done well and their allocation was trimmed back to 4% from 5% in which PFM is considering replacing going forward.

SPDR Bloomberg Barclays Convert Secs ETF is the new manager hired in July with allocation of 2.73% of the plan and they are convertible bonds. IShares National Muni Bond ETF and IShares JP Morgan USD Emerging Markets Bond ETF both increase risk to the bond portfolio.

PFM Multi-Manager Fixed Income Fund did exceptionally well at 5.75% v. 2.90%, but still behind for the year. PFM is getting ready to replace is Nomura High Yield, although there was a rebound in the quarter, but still behind for the year. Cash flows for the quarter and YTD were reviewed with the committee.

Commissioner Winegrad questioned whether PFM is concerned about inflation, and if so, how will that be handled from an investment standpoint?

Mr. Ammaturo replied it is not a fear in the short term as we are in the middle of a recession, but it will be a concern going forward.

41.3% is the allocation to domestic equity v. long-term target of 42.0%; 20.7% allocation to international equity v. 23.0%, which was drastically different three months ago. Since then, PFM has been adding to equities as we have gained comfort in the rally, which is now close to target, and tomorrow, the committee will be receiving an alert that PFM will slightly add to international equity.

Commissioner Winegrad asked about trade frequency.

PFM are conservative long-term investors and past history shows an average of one trade per quarter or three or four trades per year, but during the pandemic, three or four trades were made within a one or two month window that was dictated by the market.

Abington Township Non-Uniformed Pension Plan:

Abington Township Non-Uniformed Pension Plan Asset Allocation and Performance as of June 30, 2020 totaled \$58,974,500, return for the quarter 13.73%, -1.62% YTD. Cash flows for the quarter and YTD were reviewed by the committee.

Second Quarter 2020 OPEB Trust Investment Performance Review:

Total Fund Market Value as of June 30, 2020 was \$17,647,971 and rebounded 13.81% for the quarter, down -1.55% YTD. This plan is invested almost identically to the police and non-uniformed plans. There is not too much cash flow so investment earnings are the driver for this plan.

Commissioner Winegrad said in terms of investing both short and long term the allocation looks the same as the police and non-uniformed plans. What is the difference with the OPEB plan?

Mr. Ammaturo replied when PFM was hired to manage the OPEB trust, we reviewed the cash flow as to what is being contributed, the funded ratio and assets relative to liability, and the Pension Committee decided on 65 equity, 35 fixed income based on analysis provided by PFM.

**PUBLIC COMMENT:**

Mr. Jim Dwyer, Police Officer, Abington Township Police Department, said in the fall of 2010, he purchased his military time towards his pension fund in the amount of \$31,000 because he was anticipating leaving with 21 years of service. Now as he approaches his 30<sup>th</sup> year with the department, the purchase was for naught and he will experience no increase in longevity or pension for it, so he would like to get the money back, if possible. In the event it is not possible and the rules are presented in documentation that indicates that the purchase is irrevocable, he will accept it.

He has consulted with the Police Association's attorney who indicated that there is nothing in the rules against a return of funds; however, there is nothing that compels the pension fund to return it, and his request to the Pension Committee is to return the funds.

Commissioner Winegrad replied that he believes that matter is not within the scope of the Pension Committee to provide a remedy and the union contract would provide guidance on how to handle it.

Commissioner Vahey advised Officer Dwyer to take the advice of his counsel, and if there is anything he can do to help, please let him know.

**ADJOURNMENT:** 6:47 p.m.

Respectfully submitted,

Liz Vile, Minutes Secretary