

**ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING**

November 17, 2015

CALL TO ORDER: 6:03 p.m.

PRESENT:

Committee Members: Present: Commissioners Hecker (6:08 p.m.), Kline,
Sanchez

Employee Representatives: Tim Clark, Tim Zurybida,

Police Representative: Officer Posey

Finance Director: Kevin Barron

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

Minutes of May 26, 2015 and October 20, 2015:

Commissioner Kline made a MOTION, seconded by Commissioner Sanchez to approve the minutes of the May 26, 2015 and October 20, 2015 Pension Committee meetings.

MOTION was ADOPTED 5-0.

Quarterly Investment Review – Third Quarter 2015:

Mr. Barron referred to the Watch List Review indicating that BlackRock Global Allocation was rated as a buy by Aon.

Also, comparative performance as of September 30, 2015, Non-Uniformed Pension Plan was down -6.26 in the third quarter; YTD -4.19 and Police Pension Plan was down -6.29; YTD -4.21.

Manager Performance as of October 31, 2015; Dodge & Cox was up 1.05; PIMCO was up 0.75; BlackRock was up 4.41; PRIMECAP was up 8.38; Vanguard was up 5.57 and Dodge and Cox International was up 7.75 for the third quarter. Fees are 0.56% basis points totaling \$555,471.

Mr. Barron questioned PFM's fees going forward.

Marc Ammaturo, Managing Director with PFM Group, Two Logan Square, Suite 1600, 18th & Arch Streets, Philadelphia, PA., replied fees will be approximately 0.20% basis points, which was discussed during the interview.

Commissioner Kline questioned what the next steps will be going forward with PFM Group as the Township's new Investment Manager.

Mr. Barron replied the Township gave Aon a 30-day notice of termination. All sales will go through Wells Fargo and we will move the funds from there.

Mr. Ammaturo noted that PFM could do the selling once the contract is signed and move the mutual funds to PFM's approved mutual funds.

Township's investment asset allocation is 65% equity and 35% fixed income, and is that where the Township wants to stay, if so, then PFM will move assets accordingly. Normally, a risk analysis is performed through a questionnaire to gauge what the Township is trying to achieve, which is usually done prior to moving the mutual funds.

Commissioner Kline asked for guidance from PFM as to how to proceed.

Mr. Ammaturo replied he would like revisit the analysis to make sure he has all of the cash flow data. The Township's current investment model is 60% equity, 40% income, which is reasonable. However, in the next five years, it will be a challenge to get to 7% with where the 10-year Treasury is trading at because the 10-year Treasury is so low, it will be a headwind to the bond market.

We feel the Township's allocation mixes are prudent, but questioned whether the committee wanted to revisit that position prior to transitioning assets to PFM. Attached to the questionnaire will be the asset allocations that PFM previously presented to the committee.

Consensus by committee was to fill out questionnaire provided by PFM

Commissioner Kline questioned custodial fees going forward.

Janet Werner, Relationship Manager of Wells Fargo, replied she has worked on the account since the first union merger and she has put her "heart and soul" into this relationship. But every two to three years, Wells Fargo reviews fees, and in 2013, she lowered the Township's fees proactively \$24,000, and she was going to review the fees later this year or early 2016.

She understands that U.S. Bank's fee is lower and that PFM works with them. Wells Fargo will respond to the RFP and she will do everything she can to get the fees where they need to be.

Commissioner Kline questioned the timeline for the RFP process.

Mr. Barron replied following the audit process, the Township will send out an RFP in May or June 2016, and then make a decision prior to January 1, 2017.

Mr. Zurybida clarified that under Act 44, the process of changing investment managers needs to be posted on Township website. Is that correct?

Mr. Barron replied that is correct. He has until November 30th to post the entire process on Township website.

Commissioner Sanchez suggested reviewing the investment policy statement in-depth with PFM at our next Pension Committee meeting in February, 2016.

The Committee agreed.

ADJOURNMENT: 6:36 p.m.

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