

**ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING**

August 16, 2016

CALL TO ORDER: 6:00 p.m.

PRESENT:

Committee Members: Commissioner Kline

Excused: Commissioners Bowman, Hecker

Employee Representatives: Tim Clark, Tim Zurybida

Police Representative: Officer Posey

Finance Director: Kevin Barron

Township Manager: Michael LeFevre

Commissioner: Ben Sanchez

Director of W.W.T.P.: George Wrigley

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

Minutes of May 17, 2016:

Commissioner Kline made a MOTION, seconded by Officer Posey to approve the minutes of the May 17, 2016 Pension Committee Meeting.

MOTION was ADOPTED 4-0.

Quarterly Investment Review – Second Quarter 2016:

Mr. Ammaturo said in regards to the market index performance as of June 30, 2016; Russell 3000, which is all stocks in the U.S., was up 2.63% for the quarter and 3.62% for the year. International equity did not perform as well. MSCI EAFE – developed countries overseas was -1.46% for the quarter, -4.42% for the year. MSCI EM – emerging markets was flat for the quarter, but positive 6.41% through June.

We expected the markets to sell off when Brexit (British exit) occurred and when the global economy began slowing down, although valuations were high, so we began to slightly de-risk portfolios in June, pre-Brexit and post-Brexit. We took some international equity dollars off of the table in terms of being more conservative. We moved most of that money to domestic equity, and we expected a correction, but we have not seen a correction in the markets this calendar year yet. Portfolio is doing quite well, but valuations are stretched.

International equity is an area of concern and we trimmed it twice and the portfolio is underweight in international equity relative to target in the investment policy statement. The markets have not corrected and have continued to do well year-to-date.

The portfolio has exposure to publicly traded real estate - FTSE NAREIT Equity REIT Index gained 7.0% in the second quarter and 13% for the year. NAREIT was introduced to the portfolio this year. All equities across the globe including the U.S. were positive and some significantly year-to-date after sell-off in overseas stocks in the second quarter.

Fixed Income was up 2.2% for the quarter – Barclays U.S. Aggregate –domestic bond market was up 5% for the first six months of the year. Strong returns for bonds were due to long-term interest rates declining once again. The yield for 10-year treasuries is almost near historical lows, and when long-term rates decline, bond prices rally.

Performance Summary – Abington Township Police Pension Plan:

Market value as of June 30, 2016 totaled \$53,813,427. At the end of the second quarter, the plan was 2.34% and year-to-date was 3.76%. Comparative performance on managers was reviewed.

Commissioner Kline asked which funds are active managers.

Mr. Ammaturo replied all managers that do not say index, so there are eight active managers.

Summary of Financial Reconciliation – Market Value as of 1/1/16 was \$53,643,965 with a cash flow negative (\$1,780,098) return on investment was \$1,949,561 and market value as of 6/30/16 was \$53,813,427.

Performance Summary – Abington Township Non-Uniformed Pension Plan:

Market value as of June 30, 2016 totaled \$51,014,412. At the end of the second quarter, the plan was 2.35% and year-to-date was 3.76%.

Summary of Financial Reconciliation – Market Value as of 1/1/16 was \$50,258,579 with a cash flow negative (\$1,096,311) return on investment was \$1,852,145 and market value as of 6/30/16 was \$51,014,412.

Two update alerts were sent to the Township dated June 17, 2016 and June 29, 2016.

Commissioner Kline asked for the split between active and passive indexes.

Mr. Ammaturo replied that is a decision made by PFM and it is how we view the markets.

Mr. Barron asked for the update alerts to be sent to the Township every quarter.

Commissioner Kline commented that in regards to the previous real estate question relating to investing funds; he spoke with Township Solicitor and he indicated that State law specifically precludes investing in specific real estate properties that are not located in the State of Pennsylvania.

The REIT indexes are active funds investing in actual REITS not specific properties, where we previously discussed investing in a fund that had specific properties. So it would be acceptable to invest in a REIT, but not privately held real estate such as Equus Capital Partners – Fund X.

Mr. Ammaturo said we do have municipal clients invested in Equus, so he will look into it further.

ADJOURNMENT: 6:28 p.m.

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