

**ABINGTON TOWNSHIP
PENSION COMMITTEE MEETING**

August 15, 2017

CALL TO ORDER: 6:01 p.m.

PRESENT:

Committee Members: Commissioners Kline, Sanchez

Excused: Commissioner Bowman, Chairman

Employee Representative: Tim Clark
Police Representative: Officer Chris Posey
Finance Director: Kevin Barron
Township Manager: Richard J. Manfredi

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

Minutes of May 18, 2017:

Commissioner Kline made a MOTION, seconded by Commissioner Sanchez to approve the minutes of the May 18, 2017 Pension Committee meeting.

MOTION was ADOPTED 4-0.

Quarterly Investment Review – Second Quarter 2017:

Mr. Ammaturo said as of June 30th, the market was up 8.9% with 3% return for the second quarter, so domestic stock market that is lead by large cap stocks continues to do well. S&P 500 was 9.34% YTD as compared to Russell 2000 up 4.99%, which is small cap stocks, and International Equity has done even better.

There was a slight trade moving funds from domestic equity to international equity as MSCI AC World ex USA Index was up 5.78% in the second quarter and up 14.10% YTD. Regarding stocks across the globe; international has been outperforming domestic as valuations are more attractive relative to the U.S.

Fixed Income; overall domestic bond market was up 1.45% in the second quarter and 2.27% YTD. Barclays U.S. Corp High Yield was up 2.17% in the second quarter and 4.93% YTD. Merrill Lynch Global High Yield was up 3.15% for the second quarter and 6.30% YTD.

Commissioner Sanchez questioned the underperformance of Bloomberg Commodity Index and whether the plans have exposure.

Mr. Ammaturo replied oil, gas stocks and commodities have been very volatile as commodity stocks are impacted by the price of oil, which has been the driver in the downward trend. The plans have no exposure.

Domestic economy continues to grow below historical trend in the 2.5% range and corporate earnings is what drive stock prices benefiting the Township's portfolio. Unemployment rate was 4.4%.

30%-35% of assets are in the bond market. Barclays U.S. Aggregate, which is the overall bond market was up 1.45% in the second quarter and for the first six months up 2.27%, but in the last 12 months, flat -0.31.%.

Abington Township Police Pension Plan – Asset Allocation & Performance as of June 30, 2017 was \$57,409,542 up 3.26% for the quarter and 7.96 YTD. 37% of the assets are indexed through Vanguard to drive costs down with one active manager in domestic equity outperforming the benchmark in the quarter as well as YTD. International equity; there are three active managers and two of the three are outperforming on a daily basis, which are Vanguard International Value and Oppenheimer. J.O. Hanbro is underperforming.

Fixed Income; Baird was up 2.99% YTD and Vanguard Intermediate Investment Grade, which are corporate bonds of high-quality credit companies was up 2.92%; Vanguard High Yield Corporate was up 4.87% YTD.

Due to the performance of Metropolitan West Total Return, which has been below benchmark on a three-year basis; we are considering trading out and there is a meeting tomorrow to decide whether to replace it. If so, the Township will receive an alert on what was done. Plan has been cash flow negative (918,083) for the quarter; (1,756,181) YTD and (2,301,122) for the past 12 months; however, earnings have outweighed the negative cash flow situation.

A trade was made in June to move funds from domestic to international equity in which an alert was sent to the Township dated, June 5, 2017 that was included in the report.

Abington Township Non-Uniformed Pension Plan – Asset Allocation & Performance as of June 30, 2017 was \$54,599,965 up 3.26% for the quarter and 7.98% YTD.

Plan has been cash flow negative (992,282) for the quarter; (1,628,619) YTD and (2,038,833) for the past 12 months. Investment earnings were positive for all periods presented. This plan is underweight in the bond market and overweight equities, which has been beneficial to the plan.

At the last Pension meeting, we discussed asset allocation analysis to be presented to the committee as well as having the Township's actuary present at the meeting. Presentation is on how the plan is invested today; what can be expected in the next five years, ten years and 30 years.

Consensus by Pension Committee was to have that presentation when Township's actuary is present at its meeting in November.

Board Action Request – Resolution No. 17-025 – Minimum Municipal Obligation – Pension Plans:

Commissioner Kline made a MOTION, seconded by Commissioner Sanchez to recommend to the full Board to adopt Resolution No. 17-025 recognizing that the Township's minimum municipal funding obligation for the calendar year 2018 with respect to the Municipal Non-Uniformed Employee, Police and Non-Uniformed Employee Defined Contribution Pension Plans, is \$552,359, \$1,818,362 and \$27,687, respectively.

MOTION was ADOPTED 4-0.

ADJOURNMENT: 6:40 p.m.

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