

Roll Call: Present – Thomas Schatzman, Morgan Stanley, Chris Capp, PSAB, Molly Bender, Brian Courtney, Jonathan Mull, Priscilla deLeon, Council Liaison, Leslie Huhn, Township Manager, Cathy Gorman, Director of Finance Committee Members

In attendance: Officer Jeremy Hantz Not in attendance: Sgt. Chris Leidy

11:04 via Zoom

Morgan Stanley: Thomas Schatzman

I am not really going to talk about market commentary here. This is October 1st so it is a little bit dated. The biggest question we get from clients is; how can the market be this disconnected from the economy. Obviously we are going through a really rough time in certain industries but the market is shrugging it off. The market understands what is happening with the economy because of the vaccine which we think will be a May to June development. It is a return to normal outlook for the market, add that to 0 interest rates. People in bonds do not have a place to go to make a lot of money. They have been trading off bonds for stocks, which is not appropriate for all investors but we have seen some of that. And an enormous Fed stimulus. We are going to get this 900 billion stimulus package sometime this week and then in January, with the new administration, a potential of 2 trillion. The market is looking at this and saying the earnings should be great in 2021. That is why the market is doing what it is doing. The stocks that have led us in the last 5 years are not the stocks leading right now. It is more along the line of value in the stocks. On Page 12, the S&P 500, because of Facebook, Amazon, Netflix and Google, we have an extensive market. If you own those 5 companies great, but they have been selling off in favor of companies that are reasonably valued especially those companies that will do well in an environment that is better for companies like cyclical, defensives, chemicals, oil even. The best performance since November 1st has been energy companies. On page 15, the major problem is a problem for everyone, 1.46 rate of return on long term treasuries. That is below the rate of inflation. Anything in fixed income is not going to get us to the rate of inflation. That is a strange environment to be in. We think rates should be a little bit higher. Bonds are a necessary part of the portfolio when we have bills to pay. Cathy asked what our return is so far. Tom said since November? Up about 8.5% for the month of November for the MRT. It is nicely ahead of the benchmark. That is the best month we have had for the MRT. The managers that have been struggling like Wedge, and Causeway are up more than 20% in November so hanging onto those managers really paid off. November is when all the value stocks started to catch up with the growth stocks. Really good numbers. On page 23, on September 30, Q 1 was less than benchmark and Q 2 was very good and year to date, 1.34 vs a 2.05 so that is about a 9.5 right now. Not much of a change with the manager alignment, Boston Partners was up 14%. We did not have anybody that trailed by a large amount. Causeway, Harding all doing well. Fixed income doing well, even real estate with is 6.5% of the portfolio has done well. That 1% of catch is about 3 month cash cushion. We did not have to sell any stocks to pay the bills. No manager changes. It has been a terrific year and we are well ahead of the actuarial assumption and that should help your MMO in the future. Cathy said that is a pleasant surprise. Tom said he could not explain it if he tried but the stay at home stocks will more likely continue. Zoom is valued more now than the 23 airlines combined. If the airlines get back to 65% recovery they will be worth 3 times more than Zoom in terms of earnings. There is a little bit of frothiness to this market that we do not participate in and sometimes that hurts us.

PSAB: Joe Scott

Joe said nothing to report at the time. Nothing coming out of the legislature at this time as they are busy with other things. If we can stay north of 8 that would be wonderful. Couple that with last year and that

is really nice. We are making up some ground. Cathy said this is the first valuation that she has been here that we had two decent years. Joe agreed. We usually have one good year and the next year something happens.

Financial Reports:

Cathy said the reports are provided to you and with the payments made to the MMOs and reimbursement of fees back to the plan we have paid \$140,030.49 for the Non Uniform Plan and for the Uniformed Plan \$467,635.92 to date. The final MMO payment will be issued this month. We will be doing the same next year with the 2021 MMOs that Council did approve at their September meeting.

COLAS

Retired officers Jones and Young. Jones and Young are getting a 1.4% increase based on the CPI index. We will forward that paperwork to Thomas Anderson to get their payments increased.

Settlements

None to report

Approval of the minutes

Cathy apologized that the audio stopped recording. She based the minutes off the reports and documents provided. All ok with minutes

Cathy asked if the time and dates were ok with everyone or if we should reschedule for next year. Everyone was ok with dates and times.

Jonathan stated that he received an email to see if he wanted to remain on the committee and asked if he should do that here or via email. Leslie said to respond by email is fine.

Priscilla asked how you would simplify the year end if someone from the public asked. I don't do what you guys do. Cathy said I would say that based on the performance of last year and what is speculated for this year that we are in a better position going into our valuations next year which will be the basis of our 2022 and 2023 MMOs. We have met our actuarial assumptions. Jonathan added that we have received above average market returns. Cathy said that you can add that the recommendations that the committee made for the payments to be made monthly as opposed to the lump sum has been effective. As long as the Township's finances stays the same we should be able to continue to do that. We are basically putting in some the state aid funding in up front. As long as we can continue to do that, we will. Priscilla said it is good that we are doing better than other municipalities. So good job everybody. I wish everyone a Merry Christmas and Happy New Year and please stay safe out there. It is a terrible time and we just have to stay safe and do what we can.

Meeting ending 11.21 AM