Lower Saucon Township **December 11, 2024**
Pension Advisory Committee Meeting
Meeting Minutes

Ms. Gorman
Meeting Opening: December 11, 2024 @ 11:00 a.m.

Roll Call: John Jolls and Jeff Herb, Morgan Stanley; Joe Scott and Amanda Potts, PSAB; Mr. Shorav Kaushik, Mr. Lawernce Opthof, Officer Jared Gunshore, Uniform Plan; Molly Bender, Non-Uniform; Cathy Corman, Acting Township Manager; Priscilla deLeon, Council.

Cathy Gorman
We can start the Pension Advisory Committee meeting. It's 11 o'clock on December. 11. In attendance is Jeff Herb, Joe Scott, Priscilla. DeLeon, Jared Gunshore, John Jolls. Amanda, Potts, and Lawrence Opthof is here in the office with Molly Bender.

Shorav Kaushik
I am here. I think it says King Spry on the or the Kings logo. Okay, okay, thank you. I'm doing the call on the road.

Cathy Gorman
Let’s start off with the agenda. So, Joe if do you have anything, any updates from PSAB?

Joe Scott
No, nothing at this time, we're good. Good news, the legislature is not doing anything with pensions, and we're in good shape. So, there we are.

Cathy Gorman
Great. Jeff

Jeff Herb
Cathy, are you going to share our presentation, or do you want me to share it?

Cathy Gorman
Why don't you share so you can

Jeff Herb
it's not allowing me to share right now.

Cathy Gorman
Okay, let me, let me share it then. Okay.

Jeff Herb

Well, while Cathy's bringing that up the agenda this morning, I am just going to give a brief market economic update where we stand, stand almost two and a half years to the close of the year end. And then we'll touch upon MRT performance, asset allocation and investment strategy. And I just want to mention a change, one or addition that was added to the to the portfolio.

Cathy Gorman
We are shared.

Jeff Herb
There you go. So let's refer to page. Skip ahead to page, since again, we are almost closing out the year, let's refer to page five, where we are from a market standpoint, asset class return standpoint. And I'm sure, as everybody's well aware, again, that's perfect, as everyone's well aware again, we've been in a very strong equity environment. These are the equity market returns and fixed income market returns as of Monday. The S&P 500, which is a proxy for the US stock market, is up 20 now, up 29% on a year-to-day basis. This is very rare environment where you have two years in a row where the S&P 500 of the US stock market was up 20% plus. So, unless, again, unless something dramatically changes in the next two weeks, again, we're going to again finish on a very strong year. The US bond market, or Intermediate Bonds, are up roughly three and a half to 3.9% on a year-to-day basis. The theme, from a style standpoint, continues to be large cap stocks outperforming small cap stocks, growth stocks, technology, communication services, outperforming value stocks and US stocks outperforming international stocks, as measured by the index, Europe, Australia, Far East, up 8% on a year-to-date basis. So, no matter where you look, again, very strong capital market returns on a year-to-date basis. The following page on six what has been driving market returns. Again, first and foremost, the economy continues to be very resilient. Equity markets and fixed income markets are definitely predicted to have a soft landing for the US economy. There are no signs of any economic recession. And again, it does appear that the Federal Reserve has orchestrated a soft landing. Third quarter GDP came in at 2.8%. We are expecting fourth quarter GDP to be in that similar number, around two and a half percent range for fourth quarter GDP, following page, from a labor market standpoint, did cause some significant volatility during the summer months, but we have seen some stability now in the labor markets. The unemployment rate has come in; it now 4.1%. We are expecting a similar number for the month of November. So, we have now begun to see stability in the labor markets, which has been really a positive. From an economic standpoint. Again, labor markets are definitely cooling. Hiring is cooling. However, the positive is we have not seen any uptick in any way from a layoff standpoint, just again, just a slowing of hiring. The following page on eight, just less two items from an inflation standpoint and interest rate standpoint. Just as a reminder, the Federal Reserve mandate is to provide or to attempt full employment and price stability. And price stability goes to inflation and full employment again, inflation data continues to soften. We came in through again the month of November at roughly 2.6% goods inflation, energy core goods inflation, energy inflation is definitely softening. However, when you look at insurance, dining, shelter costs, rents, again, food etc., continues to remain very sticky. So again, we are going to be in this above inflation environment for the foreseeable future. Again, as I mentioned, the Fed mandate really has, or the Fed, the Fed mantra really has changed from inflation risk impacting the economy to really employment risk. So I think they're going to basically, what they're saying is they're going to let inflation be above their target for the foreseeable future, and they're going to really focus on employment risk from an economic standpoint. And would have flipped to page nine. What that means is the Federal Reserve has begun and will continue to reduce interest rates. In September, September 18th, they reduce the federal Fed rate by

50 basis points. In November seven, they reduced by another 25 basis points. We're expecting another 25 basis point cut in December, and at a minimum, probably two to three more rate cuts in 2025 but again, that's going to be dependent on where we are from a labor standpoint as well as inflation standpoint. So again, the key theme is that we are going to be in declining rate environment for short term interest rates for the foreseeable future. From an MRT standpoint, on page 10, MRT is again having another very good year. If you want to scroll down a little bit more, year to date, this is through the end of September, we're up 12.38% Percent on a year to date, on a year-to-date basis. Again, it's been a very good year, as we sit today. As of yesterday, the MRT is up 15.669% on a year-to-day basis. So again, we're having, again, an outstanding year through the end of the second - third quarter, as well as on a year to date basis. We ended through the end of September, and this is basically where we sit today from an asset allocation standpoint, at 60.96% in equity, 31.51% in fixed income, 6.63% in alternative investments and point 9% in residual cash. We have been taking advantage of the strong equity markets on a year to date basis, and rebalancing the equity allocation on several occasions throughout the year to harvest gains in the equity portion of the portfolio and redeploying assets to again Fixed Income and alternative assets. Refer to page 11. From an overall allocation manager, allocation standpoint, the left hand side, we ended the quarter at 300 to $81,874,739, in overall assets for the MRT, from a diversification standpoint, continue to be very well diversified from a style standpoint, between core value growth, mid and small cap, domestic and international fixed income from a duration and maturity standpoint, and alternatives on the right hand side as a reminder, the MRT is again well diversified from The manager standpoint as well, typically two to three managers per style, using utilizing a combination of active management as well as passive management, or indexes, which again track the respective benchmark at very low cost. The only change that was implemented, again, since our last meeting, going to focus under alternatives was the addition of CBRE Global Infrastructure. We made it an initial allocation to infrastructure. Within our alternative allocation, we look at infrastructure investing as again, I'm sure everyone in this call is very well versed and very well knows, all the issues surrounding infrastructure. We look at infrastructure investment as a very important component over the next, next decade. Again, what infrastructure does is provide, again, increases the opportunity set. Allows the trust to invest or have allocations in areas where we would not have any other exposure to provides, again, greater diversification, provides stable income and above average income from again, infrastructure investments and also again, what we feel is going to continue to be above average inflation environment provides an inflation hedge Over time, as well as providing downside protection again, inflation, or excuse me, infrastructure investments tend to be, again, a very low volatility investment as well as a very low correlation to both equities and fixed and fixed income. Again. Other than that, there has not been again, any other changes. And over the near term, we do not expect any other changes from an allocation standpoint, strategy standpoint, or manager, a manager, lineup standpoint. That concludes my remarks, any questions from a market standpoint, economic standpoint, MRT standpoint?

Cathy Gorman

No, not from me. I will comment, though that our assumptions are 6.5% investment return, so right, the 15.69 year to date is way ahead of where we where we are assuming to be. So that's all I have. Anyone else. Close this out. Thank you. Next on our agenda? All right, we have Uniform Plan modification. I just wanted to let the board know and have it recorded in the minutes that an MOU was signed between our Council and the Uniform association to extend the drop program from two years to three. Council agree to that we have one member that's already inquired about it, so wanted to let the committee know financial reports.

Jared Gunshore
If I could on that drop program, please, sure. Go ahead. The member that's actually going to be going into the drop program in January, had a question, if the all the paperwork went through, and something about service time. Do you know anything about that?

Cathy Gorman
Yes, I was speaking with him yesterday, and it's pretty much straightened out.

Jared Gunshore
Okay, you just wanted to make sure that everything was on the up and up. Thank you.

Cathy Gorman
As for the administrator fees, we've paid our MMOs, and we paid into the Non Uniform Plan, $226,197.33 and the uniform plan, $359,519.97.

Next on the agenda is pull us Mr. Shelley's COLA increase for the CPI index is 2.7% we will notify him of the increase come next month.

I have no settlement filings.

Tentatively, unless somebody says differently, we will keep the same date on a quarterly basis, that would mean our next meeting would be March 12.

If anybody has any questions right now; feel free to jump in.

Lawerence Opthof
Will the march 12 meeting be a Zoom meeting?.

Cathy Gorman
I'll discuss that with MS deLeon. Like I said, usually, if we have a really short agenda like this, I don't want to have people from Harrisburg driving all the way out,

Lawernce Opthof
I myself am Okay. No, that's fine.

Joe Scott
Cathy, that's fine with us too. I mean, even if it is a 45 minute meeting or 30 minute meeting,
Jeff Herb
We are always available.

Joe Scott
Jeff Herb is a lot closer than me, so it's ok with him. He is in your backyard.

Jared Gunshore

Yeah, Cathy, how are we doing with act 49?

Cathy Gorman
Act 49 was in discussion with your union and our legal team.

Jared Gunshore
Okay, is there? .. I didn't get a lot of feedback.

Cathy Gorman
No outcome was provided at this time.

Jared Gunshore
Do you know if there is a evaluation that's scheduled for,

Cathy Gorman
I believe is scheduled for next year, so we'll be sending that out once our actuary gets everything done.

Jared Gunshore
Okay, thank you. Sure

Cathy Gorman
And if that's it, I think we're done, and it is 11:16 that might be a record, everyone have a nice holiday.