

Warwick Township
Financial Advisory Committee (FAC) Meeting Minutes
May 20, 2021

Members Present:

Paul Hunzeker
Jon Fioravanti
John Ramey

Township Representatives:

Becki Wilhelm
Marian Buck

CBIZ InR Representatives:

Mike Glackin, CFP, AIF

ZOOM Meeting - Recorded

12:03 PM: Jon called the meeting to order

Discussion of results:

Mike stated, "the good news continues". The results for the Police pension for the first quarter of 2021 are 3.6% and the YTD 5/19/2021 results are 5.85%. The results for 2019 of over 20% and 2020 of 16% will have a positive affect for the Township's budget when calculating the MMO payment for 2022. Rebalancing this time last year during the dip allowed the purchase of stocks cheap. Our YTD bond market benchmark of -3% compares to our actual of -1.66% for a beat. The benchmark for equity of 8% compared to our 9.44% is also a beat. Results were due to strategic moves (rebalancing) not guessing.

Jon had a question about interest rates. Mike let us know about a future meeting with Vanguard, Blackrock and about 100 institutional folks to discuss forecasting. Biggest concern is interest rate exposure. We are equal weighted now with Value and Growth stocks. He is predicting a slight bias toward value. The International funds will have a big influence due to their potential growth and lower P/E ratios as well as the lack of supply in the US vs inflation. We are currently at 35% International and 65% Domestic equities. Mike indicated that Vanguard and Blackrock are switching their guidance to 50% International and 50% US.

Paul questioned the hidden exposure in the Large Cap Domestic sector. Mike said that it goes both ways citing Toyota with a large presence here and Caterpillar with a growing overseas position. Mike expects the domestic market to become better priced due to the slowing of the pandemic and the no mask rules. New legislation about Capital Gains taxes this summer could make international equities look more attractive. He thinks Warwick should move from 35% to 40% International.

Mike brought up the PSERS's article that was sent to us with the zoom invitation. Warwick's results were 2% higher since inception with a passive investment strategy.

Mike asked Becki's permission to call Conrad Segal to discuss lowering our assumed interest rate currently at 7.25%. He feels that this is the most important thing for us to accomplish this year. Becki agreed to allow a discussion with John Vargo on our behalf. InR expects a more realistic rate of return in the long term will be closer to 6%.

Paul asked about our quality exposure in the Mortgage backed securities. Mike said that Warwick is in Government backed mostly BBB investment grade with a low 5.4 duration. Paul noted that there is more risk in bonds. Mike agreed, bonds are part of a portfolio for risk management.

John asked for guidance from Mike on where our assumed interest rate should be and what others are using. Mike is expecting Conrad Segal to do a cost study for the MMO. Mike said that each of the communities are different. He sees it as a seesaw. Our investment performance is excellent but things like disability pensions weigh it down.

Paul thought that the 2- year trailing performance was not long enough when the assumption is for 30 years. He asked about the median of all municipalities across the commonwealth. Mike thought it would be about 7.25%. He has 40 plans with 8% and one he knows is 5.5%. The trend is going down.

Paul asked Mike what he thought PSERS's did wrong. Mike thinks that it was due to governance. He said that they should have switched to passive investing because 75% of active managers do not beat the market. He noted that the PA 529 account changed to passive funds.

Mike left the Zoom call so that we could complete the agenda.

Motion to approve the minutes from the last meeting: Jon made a motion to accept, and John seconded.

No old business.

No new business to discuss.

There we no Public Comments.

Adjournment was at 12:37 PM