Warwick Township
Financial Advisory Committee (FAC) Meeting Minutes
August 17, 2023

Members Present:
John Ramey
Bob Fitt
Paul Hunzeker

Township Representatives:
Kyle Seckinger
Kari Cunningham

CBIZ InR Representatives:
Mike Glackin, CFP, AIF
Rory Glackin, Intern

<u>Main Meeting Room</u>

12:09 PM: Recap of second quarter and performance review of Warwick Township Pensions

Mike Glackin started out saying that the market conditions continued to be unpredictable through the second quarter. Rebalancing is stronger than in previous years. Last year the loosing asset class was Large Cap Growth and year to date it is now the winning asset class, like 33% from 2%.

On July 18th, the portfolios were rebalanced. Growth funds were sold high and value funds were bought low. This is the reverse from January's rebalancing. Safest way to attain the assumed interest rate of 7%. The Police and Non-Uniform Portfolios are substantially rewarded for staying the course of 70/30 and rebalancing as needed. 7% assumed interest rate is currently the medium for PA. Equity has done better than bonds. The Police Portfolio is up 10.05% and the Non-Uniform Portfolio is up 9.78%. The difference between the two portfolios is the contributions and withdrawals. Bonds are up 2% and stocks are up 14% year to date. For the quarter, the Police Portfolio is up 4.46% and the Non-Uniform Portfolio is up 4.25%. During the quarter, the stock market was up 6% and the bond market was down .85%. Both the Police and Non-Uniform Portfolios bonds were down .61%, which shows that the portfolios outperformed the Agg, Aggregate Bond Index which was down .85%. This was due to the high yield. The total equity for the Police Portfolio was 6.46% return and Non-Uniform was 6.41% return. They outperformed the MSCI, Morgan Stanley Capital International, was 6.16%. The portfolios are mostly allocated to domestic stocks and not international. The war in Ukraine impacted Europe causing a recession making international funds not valuable.

For the rebalance on July 18th, they moved the duration higher. Interest rates are expected to go up. If you have a lower duration the bonds get hit less. Shorter duration moving closer to the Agg. Eventually we'll see interest rates coming down, making the bond market a more attractive investment in the last 20 years. Using less risk with current portfolios and they are seeing a higher return because of the performance of the bond market. On the equity side, they do see returns better than expected but not great. In 2024, the portfolios will benefit from both stocks and bonds, not cash. There is uncertainty in the next six months, especially with the Feds changing interest rates. They do see the interest rates coming down to about 3%.

The portfolios are going to continue with more domestic funds versus international funds but look to tamper down as things get more stable in Europe. Because of the uncertainty of growth versus value, they want to continue at the same allocation but will rebalance as needed.

Kyle Seckinger asked about changing the asset allocation to 75/25 and the best time to talk about it would be at the January 2024 meeting. Currently only two plans that Mike Glackin manages have an asset allocation of 75/25. They are overfunded and have a young workforce. With the capital markets going up and with the current balance of funds in the portfolios, our portfolios are likely going to get closer to the assumed interest rate of 7%. They think that they are at an assumed interest rate of 6.75% now. Hitting the assumed interest will go up higher if the allocation is changed to 75/25, but they have almost attained the assumed interest rate with the current allocation. Instead of taking on more risk they will be able to lower the assumed interest rate to 6.75 but want to wait until January to discuss it with Financial Committee Members. Also changing the MMO and putting more in the portfolios could also be helpful with the decision to lower the assumed interest rate.

Bob Fitt commented on the overall market and how it has been up and down over the last year and with the Fed changing the rates, he questions if we are in a recession or not. He feels that the market should be heading in an upswing. Stocks will be doing better. With the portfolios currently at a 70/30 allocation, Bob thinks that is appropriate.

Paul Hunzeker commented that the stock market is going to do well and to hold the portfolios at 70/30 and increase the MMO. If you decrease your assumed interest rate, you look less funded.

Mike Glackin stated that the portfolios have a 6.6% assumed interest rate and they forecasted over the years that the portfolios would be where they currently are at this time.

Mike stated that Richard Ritzer will come back out in December to hold meetings with participants.

Paul Hunzeker asked about the OPEB Portfolio and its liability. Kyle Seckinger stated that it was created in January and fully funded for the Police in the amount of $705,000. It's for the police and their health benefits for 5 years after they retire or until they qualify for Medicare. John Ramey thinks that in the 2023 statements there should be zero liability.

Mike Glackin and Rory Glackin left the meeting at 12:46 PM.

The meeting was called to Order at 12:47 PM by Bob Fitt and John Ramey.

The minutes of the May 18th, 2023, meeting was approved by John Ramey and seconded by Bob Fitt.

At 1:00 PM a motion to adjourn was made by John Ramey and seconded by Paul Hunzeker.