Minutes of Employee Money Purchase Pension Plan (401a) and Deferred Compensation Plan (457b) Committee – Regular Meeting - January 21, 2016 @ 7:00 p.m.

Attendees: John Malley, Tom Kowalski, Jim Kelly, Meg Swiggard, Ann Shade, Larry Gregan, Greg Reiff, Jeff Sarnocinski, Tom Schatzman (via conference call)

Unable to attend: Jeffrey McDonald, Lucy Gonzalez

Call to order: 7:12 p.m. start of meeting

<u>Review of Meeting Minutes</u>
Minutes from the July 16, 2015 meeting were approved with a motion by Jim Kelly and seconded by Tom Kowalski.

<u>Investment Portfolio Report</u>

Market Analysis – *Chinese Currency Devaluation Underway* - p. 3 of the market analysis document. Market started last year in China. They like to compare their currency to the U.S. dollar; the U.S. dollar is very strong and investors started questioning whether or not it should be compared to the U.S. dollar. The answer was "no", it shouldn't be. The fear is that we wake up tomorrow and the Chinese devalue their currency by 10-12%. That's bad because they are the marginal buyers of everything – oil, cement, etc. then their commodities will be 10% less. Some people think they are over-valued and should go down to 15%.

China's consumption of commodities - p. 7 –they are not buying right now; it slowed from 8% to 6%.

Oversupply has driven decline in crude prices - p. 8 – another problem – oil is low; very concerning because there is a slow-off in demand. As evidenced by the light blue line; demand is increasing steadily and oil demand is up. Good, but supply is up a lot more. We are producing 97 barrels a day, but there is nowhere to store this oil. If you are producing it, you must store it right away; otherwise you need to sell it at whatever price you can get for it.

Shifting Supply Dynamics; OPEC Production Remains Flat, While US Production Grew 80% - p. 9 - US has zombie drillers and they will drill no matter what because they need to make payments and they won't stop. This is frightening to many. They will go bankrupt because they cannot refinance their debt. This would place us in a deep recession. We are at a 20% chance of recession. No real indication that we will go into a recession at least no classic signs. An inventory-lead recession is classic where we shouldn't have so much oil. A rational company would stop drilling at this point, but they won't because they have to make those interest payments.

Declining Rig Count May Help Stabilize Crude Prices - p. 12 – some encouraging information –

Federal Funds Rate - p. 14 – Government is raising interest rates – not a bad thing for stocks. When they first start doing it it's always a drop in the S&P; during election year, there is hardly ever a raise in interest rates.

USD Performance Around First Rate Hike - p. 15 – the dollar hasn't been this strong in 15 years; good news for the rest of the world and good news for oil. We want a stable currency. It makes us less competitive and our exports more expensive. It makes the stuff we're buying from China and elsewhere, cheaper.

Economic Leading Indicators Stable, Not Falling Like 2008 and 2001 - p. 18 – banks stopped functioning and stocks stopped trading. Like taking the oil out of your car, it's not going anywhere. It's not going to be Armageddon the way it was in 2009.

Money Supply in Europe Appears Supportive of Growth - p. 20 – a silver lining is that Europe is starting to get their act together. Stimulating the economy is what they are doing now. They have reduced interest rates.

MSCI EAFE Price Index; S&P 500 Price Index- p. 23 – p. 24 – we are way ahead, up 200%; we are overdue for a correction and it looks like we are getting a nasty one. Europe will probably catch up first. Bonds are at 2%/3%.

US Equities Snapshot and Sector Breakdown - p. 28 –Earnings only grew 1.3%. The bear case is -5%. This is the worst case scenario and it's kind of ugly.

The Average Investor Underperforms – p. 31 – after investor only had a 2.5% rate of return. It's because the investor sells – people can be their own worst enemy. Sit tight and follow policy. Don't sell; hang in there through this thing and I think we'll be ok.

Mutual Fund Analysis

Zephyr Style Advisor, Manager vs Benchmark - p. 2 – out-performance from all three conservative funds; they don't usually match in a straight-up market. These are good numbers.

p. 4 – a disappointment with AMCAP – has big oil/energy in it. That explains the underperformance for them. These are very, very conservative growth funds. They have all done a great job. No problems with these funds.

p. 6 – really, really good numbers for them. Even though they are global they have had very good returns. Worst place right now is in banking but there is no exposure to banking for these funds.

p. 8 – capital income builder - -high dividends each year; 20 continuous years of increased dividends. Great for retirees but oil companies are part of this fund.

p. 10 – government bonds are doing very well this year.

p. 12 – very good longer term numbers – we like this fund very much. Good stock-picking.

p. 14 – target date funds – we have beat everywhere as compared to the Morningstar. I almost never get to sit in front of a group and say, you have out-performed on everything! Low-fee funds; I have encouraged employees to consider the target date funds. People do better on these funds than they do ala carte. You love to see good outcomes but you can't tell folks what to do, but I will make a strong case for the target date funds.

Mr. Schtazman asked if there were any questions, there being none, the meeting was adjourned.

Meeting adjourned at 7:40 p.m. – motion by Jim Kelly and seconded by John Malley.