

Minutes of Employee Money Purchase Pension Plan (401a) and Deferred Compensation Plan (457b) Committee – Regular Meeting – January 19, 2017 @ 7:00 p.m.

Attendees: Lucy Gonzalez, Michael Jenkins, Jeffrey McDonnell, Greg Reiff, Jeff Sarnocinski, Ann Shade, Bruce Shoupe, Jim Kelly (unable to attend: John Malley, Ami Tarburton)

Call to order: 7:08 p.m. start of meeting

Review of Meeting Minutes

Minutes from the July 21, 2016 meeting were approved with a motion by Jeff Sarnocinski and seconded by Jim Kelly.

Investment Portfolio Report

Market Analysis

S&P 500 Index Level vs. S&P 500 Operating Earnings – p. 4, it's the seasonal market; our market right now is trading 2-4% good with a 2% dividend; we've never been on the money; market is at a 6% rate of return. Good year, gains came later in the year.

Chart of the week - p. 5 a lot of active managers look foolish.

The Result: Passive Management - p. 7 – Growth and indexing – remarkable, self-profiling prophecy; all of it has gone into indexing. Active stocks go down in value, non-active stocks go up. Exxon Mobile is in 32 different indexes right now. Is Exxon really worth what they are trading. Investors have pulled funds from active managers

Superior Risk - p. 9 — we are really low, 1998 – you can retire at 40 if you own these stocks. We manage money for participants on a risk-adjustment basis.

US Dollar has Strengthened - p. 10 – international funds – hang in there; European market is a rough road; encourage and really consider the target date funds. You are looking at a 24% increase in the dollar. When the dollar is down, they export a lot more item. This happens once in every generation. It's okay to own an international fund

MSCI Emerging Markets Returns - p. 11 – all over the map, mostly negative

MSCI Developed Market Returns - p. 12 – European markets – pretty rough road

Consumer is Key Driver - p. 14 –you and I are consumers and the drivers of this economy; we are around 70%. We are not borrowing or spending as much and we are saving money. Real consumer and government spending are both well-below normal. We are seeing record food and beverage sales. We are early spending, i.e., lots of people are going out for dinner. But you go to the mall and there is no one there. Maybe Amazon has taken away a lot of that.

Funds review

Value funds Tab 2, p. 1 – energy funds; so volatile

Growth funds p. 4 – tough to beat the growth fund index; good numbers for the year; especially for 2 of the 3 funds

Small cap p. 6 –, very very good long-term numbers

p. 8 – these funds are a little antiquated; these were here before we had the targeted date funds

Government bonds - p. 10 corporate bond do better than government bonds

International funds - p. 12 – only pure international fund – a little bit of a miss; don't own Japan

Target date funds – p. 14 – looking very good

People don't change their funds. Take risk level down as you age. It is a mistake to buy stocks when 40 and now 62, too high of risk now.

We should consider a re-enrollment with BCG; it's been 10 years since the last one; when we re-enroll, people are forced to make a decision; you have some of your young people who have cash. We would need a 90-day lead time on notices to ee's for re-enrollment.

Tom does not recommend forcing ee's into the target date fund.

From a fiduciary oversight perspective, we are fine in the fund selection, participation rate is very, very good. The plan looks healthy and the numbers look good.

We are scheduling another employee meeting in March and if anyone wants to meet with Tom on a one-on-one basis, they can.

Tom said that if someone's target date expires, they can extend out another 5 years. Ann Shade asked a question relative to what happens if someone chooses the target date funds and leaves earlier than what their target date was; Tom said that he is less concerned about those, most gov't workers are retiring at age 62 or age 65.

Meg Swiggard asked if she could give out Tom's information to employees and new hires. Tom said yes, they can give him a call and that he would give his email too.

Tom reminded everyone not to give advice to fellow employees; you can be sued if you tell them to do one thing and the market goes in a different direction. The Department of Labor does not encourage employees to give advice.

Socially aware funds are now being offered by the government; need to be good stewardships of the environment. Lucy Gonzalez asked who determines this. Tom said that companies have a "social score". The score is 75 or above. 85 different things that are reviewed on. The biggest adopter right now is the Catholic church. We could ask employees if they are interested in this. We currently have 1% in those funds.

There being no further business, a motion was made by Jim Kelly to adjourn the meeting, seconded by Tom Kowalski.

The meeting adjourned at 7:47 p.m.