Minutes of Employee Money Purchase Pension Plan (401a) and Deferred Compensation Plan (457b) Committee-Regular Meeting - January 19, 2012, 7:00 pm

Attendees: Gwen Bryant, Shannon Drosnock, Lawrence Gregan, Supervisor Liaison Jeffrey McDonnell, Jeffrey Sarnocinski, Thomas Schatzman, James Kelly, Thomas Kowalski, Gregory Reiff, Maryann Hermann

Unable to Attend: Edward Davies, Mark Webster, Howard Haber, Ann Shade

The meeting was called to Order at 7:07 pm.

A group photo of the Committee was taken for the "Volunteer Committee" wall in the Township Building. Mr. Gregan reminded the Committee about the Volunteer Bruch in March.

The minutes of October 20, 2011 were approved (Kowalski/Webster).

Mr. Schatzman provided the following regarding his investment fund analysis and economic review:

- The market was down 50% as a result of the 2008 recession. 85% of that loss has been regained and another 26% is needed to reach a multi-year break even.
- Stocks are the lowest price since the mid 1980's. Mr. Schatzman advises to be cautious but that stocks are a good investment right now. This low price indicates that Europe is heading into a mild recession.
- The traditional "high quality" stocks are an area that is expected to be a good investment for the 5-7 year range.
- International stocks are priced well if they are invested in emerging markets.
- Emerging market consumers are the largest group of consumers, but they spend differently than US consumers. They are extremely brand loyal and large-cap American companies have greater sales overseas (KFC, ExxonMobile, Coca-Cola).
- Germany is the driver of Europe and is exporting 36%of GDP; far more than other European countries. The growth of this exporting is to the Brazil, India and China markets. Europe is geographically much closer to the emerging markets and Germany is the leader in manufacturing quality machine tools. This is expected to help "soften the brunt" of the European recession.
- Companies are still in the mind-set of buying back their own stock therefore creating pressure on companies to pay higher dividends.
- US consumption is back to 71% of GDP (the norm) showing that consumer spending is there, government spending is there, but business/corporate spending is not.
- The Bush tax cuts are set to expire in 2012 as are the payroll tax cuts. It is not expected that both will expire but the damage of this is about 3% of GDP and affects business hiring and spending.
- In the US, a ratio of 100% debt to GDP from servicing interest payments on debt. 60% of US treasuries come due in the next few years.
- Regarding stocks that pay dividends, we should see the market moving back to trends seen in the 1950's as a result of retirees searching for fixed incomes and dividend paying stocks. In 2009 there were 738M retirees in the world, in 2013 it will be 2 Billion. North America will see the number of retirees double creating this move to fixed income investments.
- The current political environment is having and will continue to have a huge impact on the market. If Pres. Obama is re-elected and there is a Republican congress

government could stagnate and the health care bill may not be funded. Around the world, elections are set to occur in Russia, China, France, Mexico, Egypt and Greece – all of which will have a significant impact on the market.

In Mr. Schatzman's review of funds:

- Washington Mutual is well positioned right now.
- American Funds Growth Fund of America is doing quite poorly and Mr. Schatzman continues to recommend that employees move out of that fund into the MainStay Growth Fund.
- There was discussion about the procedure of changing funds - BCG needs 60-90 days to map dollars over the MainStay fund.
- Discussion about adding MainStay but keeping the Growth Fund of America for those who do not want to switch. Discussion about educating employees on the new fund.
- Mr. Schatzman discussed the Growth Fund of America is still heavily invested in Europe. He also explained the non-liquidity issue of the fund: There position in their top 10 stocks in the fund would take 30+ days to get out of the stock. Discussed as example, what if what of those stocks had been Enron?
- Mr. Gregan discussed that the employees had some concerns about having to leave Growth Fund of America and how adding MainStay without removing Growth Fund of America could be a workable solution.
- Continuing on the fund analysis, Mr. Schatzman discussed small cap and world funds. There is high volatility in those areas and he is not recommending them at this point.
- Balanced funds are a good choice for those investors who are unfamiliar and unsure of what to do. The Income Fund of America is doing well.
- Treasuries are doing well right now but are not a good placement for long term dollars. It is expected that they will come to a halt or crash in the 10 year range.
- Europacific fund has had some slow movement the past two years but is rebounding well.
- Mr. Schatzman is not overly happy with the performance of the target dated funds in general, not just American Funds but it is a critical fund for the portfolio for those employees who aren't going to select an investment.

Recap of the discussion:

- Committee would like to add the MainStay Growth Fund but also keep the Growth Fund of America. Committee will discuss closing Growth Fund of America at a later date.
- Mr. Haber makes a motion to support the addition of the MainStay Fund while keeping the Growth Fund of America.
- Mr. Reiff seconds the motion.
- All approved.
- Ms. Bryant asked a question to clarify the debt to GDP approaching 100%. Mr. Schatzman explained that the debt will be the same as the GDP, but then the government will have to make interest payments on that debt and there is no GDP left to cover the interest payments.
- Mr. Gregan reviewed the upcoming schedule for the Committee – the next meeting is on April 19th.

Motion to adjourn by Mr. Kowalski, second by Mr. Sarnocinski. All approved.
Meeting adjourned at 7:50.