

UNAPPROVED – SUBJECT TO CORRECTION
Pension and Retirement Board Regular Meeting, April 15, 2021

The Pension and Retirement Board held their Regular Meeting on Thursday, April 15, 2021, via Teleconference

Chairman Kimmel called the meeting to order at 6:03 p.m.

Members Present via Audio/Teleconference

M. Chaco
S. DuBrow
W. Farrell
T. Harrigan
M. Hedman
G. Kimmel
A. Maher
C. McInnis
M. O'Neil
M. Palumbo
C. Angelica (Alt)
R. Smith (Alt)
J. Grady (Alt)

Members Absent

T. Bradbury
M. Glennon
K. Frank (Alt)
L. Mahoney
C. McKenna
M. Moreno (Alt)
T. Overholser (Alt)
E. Beatty, BOA Liaison
W. Smith, BOA Liaison

Also Present

T. Barnes, Human Resources Dept.
G. Delpo, Human Resources Dept.
M. Greene, Recording Secretary
Steve Lemanski, Hooker and Holcombe
Roger Metzger, Hooker and Holcombe
J. Beirne, Beirne Wealth
J-O. Beirne, Beirne Wealth

Consideration of Minutes:

Mr. Chaco and Mr. McInnis made and seconded a motion to approve the minutes of the Regular Meeting held March 18, 2021. Motion carried unanimously.

Chairman's Report:

Mr. Kimmel reported that he met with Mayor Blake and Steve Lemanski from Hooker and Holcombe via Zoom to discuss the discount rate, Cost of Living Adjustment (COLA) and Actuarially Determined Employer Contribution (ADEC). Items discussed: There will be no increase in the COLA with no increase recommended by the Pension Board; the COLA will not go before the Board of Aldermen. The discount rate, now 7.5%, will be lowered to around 7%-7.2%, and the plan to reach that goal is lowering it by 0.1% over each of the next 5 years. To meet the ADEC, the City will continue to increase funding as they have in the past, plus an additional \$3 million contribution this year to get closer to funding target. The plan is for the City's ADEC to be fully funded by city in 2 years.

New Business: None

Old Business: None

Pension Requests:

Mr. Smith and Mr. Chaco made and seconded a motion to accept the application for a normal retirement pension, Code 5 – BOE (Non Rep) for Margaret Kelly. Motion carried unanimously. Mr. Smith and Mr. McInnis made and seconded a motion to accept the calculation for an annual amount of 32,805.37 with a gross monthly benefit of \$2,733.78 commencing 3/20/2021. Motion carried unanimously.

Ms. Palumbo and Mr. Hedman made and seconded a motion to accept the application for a retirement pension with Contingent Annuitant of 75 % Code 5 – City (PW) for Richard Rouse. Motion carried unanimously. Ms. Palumbo and Mr. McInnis made and seconded a motion to accept the calculation for an annual amount of \$31,234.48 with a gross

monthly benefit of \$2,602.87 commencing 3/13/2021. (Note: The original motion and second were amended due to add the Contingent Annuity.) Motion carried unanimously.

Ms. Palumbo and Mr. McInnis made and seconded a accept the application for a Code 5 – City (Health) normal retirement pension for Lisa Demers. Motion carried unanimously.

Ms. Palumbo and Mr. McInnis made and seconded a motion to accept the application for a Code 5 – City (PW) normal retirement pension for Paul Dickovick. Motion carried unanimously. Ms. Palumbo and Mr. McInnis made and seconded a motion to accept the calculation in an annual amount of \$28,391.54 with a gross monthly benefit of \$2,365.96 commencing 3/20/2021. Motion carried unanimously.

Withdrawals and Refunds:

Ms. Palumbo and Mr. Hedman made and seconded a motion to accept the application and calculations for a withdrawal from the retirement system from Lisa Seiler-Barr, Code 5– Police Dispatch (Non-Rep) in the amount of \$4,609.14. Motion carried unanimously.

Buy Ins: None

Contingent Annuitant Options:

Mr. Smith and Mr. Hedman made and seconded a motion to accept the application for a Code 5 – BOE 75% Contingent Annuitant, Beneficiary Margaret Oakes, for Clifford Oakes. Motion carried unanimously.

Mr. Smith and Mr. Hedman made and seconded a motion to accept the application for a Code 5 – BOE (Maintenance) 100% Contingent Annuitant, Beneficiary Norann Kiernan, for Patrick Kiernan. Motion carried unanimously.

Applications of Entry: None

Invoices:

Wells Fargo Bank Pension Plan \$1,656.00 Period: 02/01/2021-02/28/2021

Mr. Matt Chaco and Mr. McInnis made and seconded a motion to authorize payment to Wells Fargo Bank in the amount of \$1,656.00 for their invoice dated 3/5/2021. Motion carried unanimously.

Beirne Wealth Consulting Services, LLC \$89,699.72 Period: 4/1/21 – 6/30/2021

Mr. Matt Chaco and Mr. McInnis made and seconded a motion to authorize payment to Beirne Wealth in the amount of \$89,699.72 for their invoice dated 4/7/2021. Motion carried unanimously.

Committee Reports: Asset Allocation Report.

John Oliver Beirne and Mr. Kimmel discussed amending and modifying the strategic allocation of assets. Mr. Beirne said that to give the portfolio the best chance of success, there was a need to discuss it, agree on an approach, and then look at verbiage in the investment policy statement. He described activity runs in certain asset classes that have changed and said it was necessary to identify future risks properly. He presented a report on the old policy with a breakdown of stocks and bonds, hedge funds and other investment types such as credit, equity, real estate, commodities, diversified, alternative, cash, and other instruments. Mr. Kimmel asked for a document showing changes in allocation policy to share with board. Mr. Beirne showed an example of an alternative investment that provide different return streams. He said the goal was to identify and adhere to best practices. Mr. Kimmel said he wanted to vote on the new allocation at next meeting. Mr. Beirne said he will update all asset classes. Mr. Metzger said he approved of the proposed structure but asked how comfortable Mr. Beirne is that the portfolio and policy norms will get to a 7.4 return level. Mr. Beirne said he thinks the proposed mix will get close to that target but noted that when there is more diversification of assets, a high-quality bond portfolio will be hard-pressed to deliver returns when the duration of holding bonds becomes very long. He said shorter terms are less painful return timeframes. He noted that international and emerging markets will be tapped for better returns and that over the last 10 years, hedge funds have not produced well, so other asset managers must be identified to produce higher returns. He said that given the level of national debt, stocks and bonds will be challenged and there is a need to identify other asset classes. In short, he said hitting 7.5% will be a challenge. Mr. Metzger asked if the rate should

be reduced to reduce risk. Mr. Beirne said the portfolio should be constructed with an eye on what we realistically think the asset class mix will produce. He stressed that a portfolio must navigate market ups and downs and that reducing concentration reduces risks. He said they know what actuaries are saying, but they must look at risk versus return profiles with a realistic view—use the minimal risk with the highest return. Mr. Beirne said he will provide an updated report and Mr. Kimmel will ask for a vote on policy at the next meeting, then have a discussion on guidelines after that.

Financial Report: None

Hooker and Holcombe: Valuation Report July 2020

Steve Lemanski provided an executive summary as of that date at the beginning of this fiscal year. He provided statistics that are done in advance of the fiscal year to determine the City's contribution. He noted that the plan's participation level (around 1500), and average pay (around \$71k) stayed same. He said the police and fire contracts not yet settled, so no change is measurable there yet. He reviewed key funded-ratio numbers and important assumptions which will be subject to change. He said the valuation uses an asset smoothing technique. He noted an unfunded liability of around \$80 million with approximately 82% of the liability being funded but said that percentage exceeds most CT communities where funding is typically in low the 70% area. He described changes in discount rate reductions brought up unfunded liability. He described the smoothed return rate of 5.8. He reviewed metrics about the maturity of the plan, saying they are typical, with the City's funded ratio showing some erosion, but this erosion should be reduced this year. He gave examples of sensitivity metrics if certain goals aren't met. Mr. Kimmel and Mr. Lemanski discussed how the funded ratio would improve, but that the smoothing technique suppresses losses or gains. Mr. Lemanski reviewed metrics for employee contribution as of 2018 and how that breaks down. Ms. Palumbo asked about the City's proposal to do a one-time additional payment to catch up this year; Mr. Lemanski said that for upcoming fiscal year, this option has not been factored into the valuation yet. He said the goal is to improve convergence toward full funding. He provided details on the changing 25-year outlook for amortization.

Report of Investment Advisor: Beirne Wealth (30 minutes)

Mr. John Beirne screen-shared credit management returns and provided a short, fixed-income review, saying the pandemic impacted bonds negatively. He reviewed individual funds in more detail. He said the global economic problems can be addressed by growth. Mr. John-Oliver Beirne reviewed the credit portion of the portfolio, noting robust returns. He said that as the economy reopens with more vaccinations, small and medium businesses will provide better returns with value and midcap stock growth that tends to improve when economies improve. A big question is whether the right managers are in place to survive an economic shock. They revisited lessons from the 2008-2009 strategy. The Beirnes recommendation was to vote to consolidate certain items in portfolio, having discussed the idea with Chairman Kimmel. They said most academic studies recommend 36 managers as an optimal amount of diversification. The board acted on this recommendation as follows:

Mr. O'Neil and Mr. McInnis moved and seconded to remove the Wisdom Tree Japan Hedged Fund from the portfolio. Motion passed unanimously. Mr. Chaco and Mr. McInnis moved and seconded to consolidate the EEM Fund into the Vanguard (VIWO) Fund. Motion passed unanimously.

Mr. John-Oliver Beirne was asked to bring names and summaries for potential value managers.

Adjournment

Mr. Chaco and Mr. McInnis moved and seconded for adjournment with unanimous vote at 7:36. The next meeting is scheduled for May 20, via teleconference at 6:00 pm.

Respectfully submitted,

M.E. Greene, Recording Secretary

