

UNAPPROVED – SUBJECT TO CORRECTION

**Pension and Retirement Board
Regular Meeting
May 19, 2022**

The Pension and Retirement Board held their Regular Meeting on Thursday, May 19, 2022, via Audio/Tele Conferencing. Chairman Kimmel called the meeting to order at 6:00 p.m.

Members Present via Audio/TeleConference

A. Armstrong
T. Bradbury
M. Chaco
S. DuBrow
C. Hiza
A. Maher
C. McInnis
C. McKenna
M. O'Neil
M. Palumbo
C. Angelica (Alt)
M. Glennon (Alt)
J. Grady (Alt)

Members Absent

W. Farrell
T. Harrigan
M. Hedman
G. Kimmel
L. Mahoney
K. Frank (Alt)
M. Moreno (Alt)
R. Smith (Alt)

B. Broesder (Alderman)
D. German (Alderman)

Also Present

T. Barnes, Human Resources
M. Carrasquillo, Benefits & Pension Coordinator
L. DiCocco, Recording Secretary
Rodger Metzger, Hooker & Holcombe
Steve Lemanski, Hooker & Holcombe
J. O. Beirne, Beirne Wealth
Michael Haynes, Beach Point

Consideration of Minutes:

Mr. Chaco and Mr. O'Neil made and seconded a motion to approve the minutes of the Regular Meeting held April 21, 2022. Motion carried unanimously.

Chairman's Report

None

New Business:

None

Old Business:

None

Executive Session:

(a)	Jeffrey C. Hathaway	Code 5 – BOE (Maint) Normal w/ 75% CA option Beneficiary: Lisa Hathaway	Revised medical note
-----	---------------------	---	----------------------

Mr. Chaco and Mr. O'Neil made and seconded a motion to move into Executive Session to review a medical note for a contingent annuitant application. Motion carried unanimously.

Adjourned to Executive Session at 6:04 p.m.

Reconvened to Public Session at 6:16 p.m.

Pension Requests:

(a)	Mark A. Clark	Code 5 – City (PW) Normal	Application
-----	---------------	------------------------------	-------------

Mr. Grady and Ms. Palumbo made and seconded a motion to accept the application for a Code 5 City (PW) Normal Retirement for Mr. Clark. Motion carried unanimously.

(b)	Judith Keeler	Code 5 – City (Payroll) Normal	Calculation
-----	---------------	-----------------------------------	-------------

Ms. Palumbo and Mr. McKenna made and seconded a motion to accept the calculation for a Code 5 City (Payroll) Normal Retirement for Ms. Keeler in the amount of \$85,447.96, gross monthly payments of \$7,120.66 commencing 3/26/2022. Motion carried unanimously.

(c)	Paul Mazzara	Code 3P – City (Police) Normal w/ QDRO & ABI	Calculation
-----	--------------	---	-------------

Mr. DuBrow and Mr. O'Neil made and seconded a motion to accept the calculation of a Code 3P City (Police) Normal Pension with QDRO and ABI for Mr. Mazzara in the amount of \$58,409.50 less QDRO in the amount of \$12,018.66 for an annual pension with QDRO offset in the amount of \$46,390.84, gross monthly payments of \$3,865.90 commencing 3/18/2022. Motion carried unanimously.

(d) Robert Smith Code 5 – BOE (Maint) Application
Normal w/ 100% CA

Mr. Bradbury and Mr. O'Neil made and seconded a motion to accept the application for a Code 5 BOE (Maint) Normal Retirement Pension with 100 percent CA for Mr. Smith. Motion carried unanimously.

(e) Daniel F. Wassmer Code 3F – City (Fire) Calculation
Normal w/ MBI

Mr. O'Neil and Ms. Palumbo made and seconded a motion to accept the calculation for a Code 3F City (Fire) Normal Retirement Pension with MBI for Mr. Wassmer in the annual amount of \$105,998.12, gross monthly payments of \$8,833.18 commencing 4/2/2022. Motion carried unanimously.

Withdrawals and Refunds:

None

Buy Ins:

None

Contingent Annuitant Options:

(a) David Acampora Code 5 – BOE (Maint) Application
Normal w/ 50% CA option Medical note on file
Beneficiary: Janet Acampora

Mr. Bradbury and Mr. Grady made and seconded a motion to accept the application of Mr. Acampora for a Code 5 BOE (Maint) Normal Retirement Pension with 50 percent Contingent Annuitant option with Janet Acampora as beneficiary. Motion carried unanimously.

(b) Jeffrey C. Hathaway Code 5 – BOE (Maint) Application
Normal w/ 75% CA option Beneficiary: Lisa Hathaway

Mr. Bradbury and Mr. Grady made and seconded a motion to accept the application of Mr. Hathaway for a Code 5 BOE (Maint) Normal Pension with 75 percent Contingent Annuitant Option with Lisa Hathaway as beneficiary. Motion carried unanimously.

(c) James L. Richetelli, Jr. Code 5 – BOE (Non-Rep) Application
Normal w/ 50% CA option Beneficiary: Lisa C. Richetelli

Mr. Bradbury and Mr. Armstrong made and seconded a motion to accept the application of Mr. Richetelli for a Code 5 BOE (Non-Rep) Normal Pension with 50 percent Contingent Annuitant Option with Lisa C. Richetelli as beneficiary. Motion carried unanimously.

Applications of Entry:

Vice Chairman McInnis read the following application of entry:

(a)	Alexander Altermatt	Code 3P – City (Police)	Entered: 04/21/2022
(b)	Thomas Beirne	Code 3P – City (Police)	Entered: 04/21/2022
(c)	Samuel R. Chiovitti	Code 3P – City (Police)	Entered: 04/21/2022
(d)	Arnoldo Madero	Code 3P – City (Police)	Entered: 04/21/2022
(e)	Gregory Marriner	Code 3P – City (Police)	Entered: 04/21/2022
(f)	Casey McMahon	Code 3P – City (Police)	Entered: 04/21/2022
(g)	Joshua Montano	Code 3P – City (Police)	Entered: 04/21/2022
(h)	Caitlin Pierce	Code 3P – City (Police)	Entered: 04/21/2022
(i)	Henry Schott	Code 3P – City (Police)	Entered: 04/21/2022

Invoices

(a)	Hooker & Holcombe, Inc.	\$24,700.00	Period: Actuarial Svc through 04/15/2022
-----	-------------------------	-------------	--

Mr. Chaco and Mr. McKenna made and seconded a motion to authorize payment to Hooker and Holcombe, Inc. in the amount of \$24,700.00 for their invoice dated April 19, 2022, for actuarial services through 04/15/2022. Motion carried unanimously.

(b)	Sprott	\$29,803.98	Period: Q1 2022 Management Fee
-----	--------	-------------	--------------------------------

Mr. Chaco and Mr. O'Neil made and seconded a motion to authorize payment to Sprott in the amount of \$9,803.98 for their invoice dated April 26, 2022, for Q1 2022 Management Fees. Motion carried unanimously.

Committee Report:

None

Financial Report: Presented by Hooker & Holcombe – July 1, 2021, Actuarial Valuation

Mr. Steve Lemanski of Hooker & Holcombe reviewed the City of Milford Actuarial Valuation of July 1, 2021. He reviewed and explained the purpose of the valuation and gave a summary of results since last year. Mr. Lemanski that money going into the fund from the city must equal the money going out. Since last year it was an excellent year through June 30, 2021 and resulted in an increase in fund ratio – assets divided by actuarial liability is 84.4% vs. 81.6% for 2020. It translated to a slight reduction in the ADEC. It had been almost \$14 million. It was expected a higher contribution. The market gave a return of 31%, one of the highest seen for other funds. There was a little favorability on the liability side, although probably short lived.

Mr. Lemanski said per the experience study there was a scheduled reduction in investment return assumption to 7.3%. Hooker and Holcombe performs an annual survey of all public sector pension funds

in the State of Connecticut on the local level. Milford's funded ratio on a market value basis is 96.5% which is substantially higher than the average which is about 85%. The investment return is at 7.3%. It is phasing down from 7.5 to 7%.

Mr. Lemanski went over the Valuation Results - Executive Summary sections of population of the plan, actuarial value of future benefits, accrued liability, the market value and actuarial value of the plan assets, the unfunded accrued liability, funded ratio and actuarially determined employer contributions.

Mr. Lemanski said that asset growth until this year has been somewhat flat. The market was challenging. There was a gap of the contributions the city was putting in, but it has now been closed. There was a slight decline in the funded ratio. The normal cost of the value of benefits employees are accruing is about \$9 million. It is basically self-funding about \$3 million so the net cost to the city is approximately \$6.2 million. The amortization of unfunded accrued liability is \$7.5 million which came down from the year prior.

For the ADEC trends the number have been steadily climbing over the last several years. There was some relief this year. A 10-year projection had been done last year anticipating the strong market that was occurring as well as the scheduled decline of the discount rate. At that time the ADEC rate was going to go to just under \$15 million by 2024 valuation. That was before the market being experienced right now.

Mr. Lemanski reviewed the breakdown of the ADEC by each group of employer contributions with the fire and police having the higher share. The asset information for FY21 reconciliation from 2020 to 2021 market value grew from \$346 million to \$435 million. The actuarial value of 2020 was \$355 million and grew to \$380 million. Mr. Lemanski reviewed the breakdown chart of actuarial vs. market value of assets. He reviewed the historical information of the asset returns from 2012 to 2021 for market value of assets and actuarial value of assets.

Looking ahead to next year the plan is on schedule to reduce the investment return assumption from 7.3% to 7.2% to the ultimate assumption of 7.0% by the July 1, 2024, valuation. It will reflect the mortality projection scale expected to be issued late October 2022 which will be interesting based on the emerging data of Covid.

Asset Allocation:

None

Report of Investment Advisor: Beirne Wealth

Mr. J.O. Beirne reviewed the Beirne Wealth Consulting Report for the month ending 4/30/22. US Equities large stocks are down almost 14%, midcap down 13%, small caps down almost 17%. International markets are down. The environment for equities and fixed income is more reflective of the 1960's and 70's. Diversification real estate, alternatives, hedge funds are all down. The only things that are up are cash and t bills and inflation. There is about 40% of the pricing missing for April. The value of the portfolio is \$407 million, down about 7%. For the fully priced year ending in March, it is up 10%,

down 3.8% for the quarter and up 2.2% for the month. The portfolio has \$432 million and are slightly up to flat on the fiscal year to the end of April.

Mr. Beirne said that the Zephyr Peacock Index Fund III just had a liquidity event, so we got some additional shares. What was sold we received about 30% of the sale in cash and get about 70% of the sale in the other company stock.

Mr. Beirne highlighted the funds Beach Point is handling for the city, which is about \$20 million, having started with the initial fund being the Off Shore Fund.

There have been 4 major settlements in the litigation finance fund. There has been a net distribution for Longford I, settlements for Longford II and III, so these funds will be up substantially in the next report – 30% plus, maybe 50%. Between last month's meeting and this meeting, another \$7 million in cash has been raised on the market rally date. Mr. Beirne believes that at this point the selling has been exhausted and looking at the data there are 3 courses of action. If things get materially weaker but do not see that yet, we will raise more cash. Any rally back that is weak we will keep raising cash and if the rally back is strong, we will be prepared to be more invested. There is more up capture than there is down. Everything is in line in terms of our policy. The portfolio as compared to all the other public plans, for the end of March is good.

A presentation was made by Michael Haynes of Beach Point. He indicated as background Beach Point and the city of Milford have had a 10-year relationship to date. He reviewed the performance summary of the Beach Point Total Return Fund. He explained they do not take a lot of interest rate risk. The company avoids the cyclical companies that have been suffering through the factors happening globally. He said Beach Point is managing about \$17 billion in assets spread across a half a dozen of different strategies of which the city is invested in several of them.

Mr. Haynes said Beach Point is generally a long-biased investor with some exceptions. They are very fundamental research oriented. They are focused on the legal aspects of the credit markets. He said they are multistrip investing across different industries and different asset classes. The company tends not to invest in huge cap means and differentiate themselves from some of the larger firms many times larger than Beach Point.

Mr. Haynes said it is believed there will be a continue of rise in rates. He said they are seeing good companies with securities that do not have a lot of term on them trading at 75 – 80 cents on the dollar. He those are the types of environments they have done extremely well and feel the market today is discounting the level of the falls and losses that they do not think is likely in a recessionary environment. They continue to buy optimistically names they like. He does believe they will not create a positive return for 2022 but looking forward to 2023 and 2024 it is possible there will be an outperformance that has been seen over the last decade.

Beach Point is looking to up-quality their portfolio by trading into companies that have sold off and know they will survive through the cycle. Mr. Haynes reviewed the Beach Point Total Return Fund the city has been invested in. He reviewed the asset allocation in the portfolio.

Mr. Haynes said they have created out performance across cycles for 20 years. They are doing the same thing today that they have done for the prior 20 years. Their strategy is to pick companies and opportunities that will be consistent across cycles. As for an objective they are looking to produce the same 9, 10% net returns for investors.

Mr. Haynes reviewed the Opportunities Fund IV that was a 2020 fund and had benefited from extraordinary market timing. Fund III is a 2017 fund and went through the reinvestment period. It is now in a capital return mod. It is their objective to return 100% of invested capital by the end of 2022. Fund II is a 2014 fund. All capital was returned and some profit. It was not a good performer with some investments in the energy cycle when oil was down to \$20.00 - \$30.00 a barrel.

Beach Point is now in the process of launching Fund V and they will have the same strategies as in Fund IV. He reviewed the Securitized Credit Fund noting it is a different approach than the funds previously discussed. The fund is diverse in terms of its overall market opportunity. It is a much more heavily hedged product. In 2021 investments were heavy in the mortgagebacked securities market and was a huge outperformer.

Mr. Chaco and Mr. Armstrong made and seconded a motion to adjourn the meeting. Motion carried unanimously.

The meeting adjourned at 7:30 p.m.

The next regular meeting of the Pension & Retirement Board will be held on June 16, 2022.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Lesley DiCocco", written in a cursive style.

Lesley DiCocco
Recording Secretary