

CITY OF MIDDLETOWN
MINUTES OF THE RETIREMENT BOARD
Tuesday, February 18, 2020 at 9:00 am

The Regular Meeting of the Retirement Board of the City of Middletown
was held in room 208 of the Municipal Building

Board Members Present: Steve Gomes, Carl Erlacher, John Milardo, Sandy Pasculano, Vinny Loffredo, Mayor Florsheim

Board Members Absent: Linda Salafia, Joe Serra

City Employees/Public/Others Present: Diana Doyle, Gerry Goldberg (GYL), Michael Lepore (GYL), Michael Agogliati (Local 1073), Michael Carta (Local 1073), David Ribnicky (Local 1073), Kevin Starbird (Local 1073); Linda Reed (UPSEU)

- Meeting Called to Order at approximately 9:00 am
- Public Comments on the Agenda
 - Kevin Starbird (Local 1073) thanked the Board for their responsibility as fiduciaries of Pension Plan; asked for clarification of comments made at November 2019 meeting regarding Fire being removed from Pension System
 - Councilman Loffredo explained the context of the comments and agreed to meet with Local 1073 Representatives to further discuss
- Approval of November 25, 2019 Minutes
 - Sandy motioned to approve and was seconded by John
 - All in favor
- GYL Review
 - The Pension Fund value at the end of the 4th quarter was \$456,174,522; the return for 2019 was 22.5%, outperforming the benchmark; individual investments showed double digit returns in 2019
 - Michael reviewed the performance; noted that Invesco Oppenheimer Developing Markets was top performer of 4th quarter and a top performer of 2019; strength came from the manager avoiding commodity-centric investments (that can be volatile); investment driven by consumer economic activity - focusing on consumer goods and financial & healthcare systems (wealthier population in emerging economies has demand for goods & services)
 - Noted REITS performance was above benchmark with 31.5% return for 2019; reminded Board that active strategy, rather than index in real estate space, was implemented to avoid underperforming real estate investments

- Fixed Income return for 2019 was above benchmark; stated the importance of taking a long-term view with Fixed Income, due to the difficulty of predicting interest rates in the short-term
- GYL advised a \$10mm rebalance, taking (some) gains from Large Cap Domestic Equity & REIT exposure, investing into Fixed Income, restoring the 35.5% target
- Discussion regarding the amount of the recommended rebalance; Gerry explained that the Fund is not quite at a 5% rebuttable presumption to require full rebalance; \$10mm rebalance follows historically conservative orientation of Fund investment strategy
 - John motioned to rebalance \$10mm, as recommended by GYL, and was seconded by Steve
 - All in favor
- Discussion regarding the Library's pension rights; question of why Library is not factored out like General Government, Police, and Fire; Carl stated that if a contribution is needed for the General Government, their inclusion (for the Library) would be reviewed
- The OPEB Trust value at the end of the 4th quarter was \$17,480,257; the return for 2019 was 20.75%
- Michael reminded Board that Transamerica (value-oriented) is currently on watch list; performance has improved and is reviewed by GYL regularly; concluded that the strategy is currently out-of-favor where the market is; because of this, it's complemented with Lazard (growth-oriented) and Index funds
- Board was advised that Fixed Income separate account strategies (used in Pension Fund) not available because of small investment; mutual funds utilized in place of fixed income; Mainstay High Yield Bond (junk bond index) meeting expectations; manager on conservative side of lower quality bond portfolio; risk-return continuum performance is consistent with expectations; JP Morgan Core Plus Bond (investment grade high yield bonds) meeting expectations
- GYL does not recommend a rebalance of OPEB Trust
- Discussion regarding the annual contribution to OPEB; currently "pay-as-you-go"; reflected in Health Benefits budget
- Michael distributed Risk Profile Questionnaire; GYL will use as tool for annual Asset Allocation Study; study to be updated by end of year

- Reports: (informational)
 - Actuarial Valuation Report
 - Treasurer's Report
 - Pension Management Fee Report

- Carl discussed Actuary Report; noted that a new mortality table is used in Actuary Assumptions

<u>Applications for Membership</u>	<u>Start Date</u>	<u>Department/Union</u>
Ben Florsheim	11/12/19	Mayor
Michelle Hansen	11/4/19	Health/466
Sarah Hillman	10/10/20	Police/Police
Nicholas Northcutt	2/3/20	Fire/Fire
Barbara K. Peterson	11/12/19	Mayor's Office/Non-barg
Daniel T Pitsurenko	12/16/19	Water & Sewer/466
Stephen Randolph	12/16/19	Library/Library
Jakub T Rzepecki	2/3/20	Fire/Fire
O'Brian Devaun Sinclair	11/15/19	Police/Police
Theresa Spalletta	1/6/20	Water & Sewer/UPSEU
Philip Thomas	11/1/19	Police/Police
Catherine Peters Tsahalis	2/10/20	Library/Library
Shannon L Wild	12/30/19	Library/Library
Paige Wade-Willoughby	11/15/19	Police/Police
Ayanna Michelle Wright	11/4/19	Library/Library
<u>Requests to Retire/Collect/Vest</u>	<u>Yrs of Svc</u>	<u>Department/Union</u>
Gregory Borent	26 yrs	Fire/Fire
Christine Bourne	22 yrs	BOE/466
Mark Tine	28 yrs	Fire/Fire
<u>Refund/Rollover of Contribution</u>		
Naveen Macherla		
Sara Mendillo		
<u>Deceased Pensioners</u>		
Angela DiMauro (surviving spouse)		
Carmelina DiMauro (surviving spouse)		
Jane Pillarella		
Kathleen Tarpey		
Myron Thompson (surviving spouse)		

- Adjournment of Meeting
 - John motioned to adjourn and was seconded by Carl
 - All in favor

Respectfully submitted: Carl Erlacher

