A regular meeting of the Town of West Hartford Pension Board was held on Monday, December 4, 2023 at 7:45 a.m. in room 407 of Town Hall.

The meeting was called to order at 8:01 a.m.

I. Roll Call/Attendance

Pension Board Members: Chair Lazaro Guzman, Commissioners Alan Lebow, Jim Brennan, and Perry Salonia (phone), and Peter Privitera, Director of Finance

Participants/Guests: Rick Ledwith, Town Manager, Lori Kearney, Human Resources Specialist, Chris Kachmar, Fiducient Advisors (phone), and Mayor Shari Cantor (phone)

Absent: Mary Fay, Town Council

II. Lazaro Guzman, Chair

A. Opening Comments

III. Chris Kachmar, Fiducient Advisors

A. Capital Markets & Pension Trust Performance Review

1. October was a tough month in equities and fixed income primarily motived by investors' anxiety over federal policy and interest rates. Interest rates went materially higher in October putting pressure on fixed income returns and equities.
2. Pension Trust – down 2.9% for the month, up 2.4% YTD, and up 4.7% for the year.
3. Met West active bond manager remains on watch. Fiducient Advisors' research team conducting analysis and diagnostics in this area and more information will be presented to the Pension Board at the January meeting. No action required at this time.
4. Nothing of immediate concern regarding asset allocation at end of October. The portfolio value was about $483 million at the end of October and $513 million at end of November, a bounce back of about $30 million.
5. Fiducient Advisors is finishing its capital market assumptions for 2024. They will be reoptimizing the Town's portfolio, testing

allocations and return potential, and will present results at the January meeting.

6. There could be an opportunity to change the mix and increase fixed income. Fiducient Advisors may recommend moving from the current 70-30 equity to fixed income ratio to 65-35 or 60-40 without sacrificing the return potential of the program.
7. Since inception, 7 active managers in the program. Five of seven are in line or ahead of benchmark. MetWest is the only one on elevated status.
8. Real estate discussion regarding Barings, the capital in office space, and the redemption request timeline.

IV. Al Lebow, Board Member

A. Discussion of Milliman's proposed funding strategy

1. Milliman had proposed a new methodology for funding and under this methodology the Town would increase its funding by no more than 8%. Milliman stated that there would only be a 1% chance that we would not have a reserve fund at the end of the scenarios. That left it ambiguous as to what happens in the middle, and Al requested clarification. They responded that, according to their scenarios, almost 2/3 of the time the reserve fund would reach 0 at some point in time. The funding assumed within their model was up to 100% increases at points in time. They are not just proposing funding at 8% a year with only 1% chance that the reserve fund runs out of money. It is 8% per year until the reserve fund runs out and then funding at whatever level is necessary. Their modeling shows 100% increases in some years in order to meet the objective of being funded at the end of the scenarios. Al wanted this information documented.
2. Peter stated that his proposal to the Town Council clearly stated that there were no guarantees, and that it was possible that the fund would run out of money. The 1% relates to the 1% chance, at the end of the term, that there will be no money left in the reserve fund. The Council was cautioned that given different scenarios, the fund could run out of money. The Pension Board does not have the authority with respect to the funding element, that is under the purview of the Town Council.

V. Peter Privitera, Director of Finance

A. Discount rate discussion

1. As a result of Milliman's experience study, their analysis suggested moving to a 6.9% discount rate. However, Milliman proposes that the Town remain more conservative and increase the discount rate from 6.25% to 6.5%. This change will not affect the Town's contribution should the Council adopt the revised funding ordinance but it will reduce the amount of funds paid out by the reserve fund by a little under $1.6 million dollars from $2.78 million to $1.19 million.
2. Fiducient Advisors supports the move to 6.5% from 6.25% and considers it reasonable and defensible. Moving to 6.5% puts the Town at state average and similar to what its peers are doing.
3. Peter indicated that he can defend 6.5% with the state and rating agencies.

<u>Motion by Peter Privitera to increase the discount rate to 6.5%. Motion seconded by Chair Guzman. 3 in favor – Perry Salonia, Peter Privitera, Lazaro Guzman. 2 opposed – Jim Brennan and Al Lebow. Motion passed.</u>

VI. Lori Kearney, Human Resources Specialist

A. Proposed Pension Board meeting calendar for 2024

1. No issues raised with 2024 calendar

B. Summary of items under Formal Actions

1. Note that Josie McCormick was rehired but pension membership and contributions were not initiated at the rehire date. She will make up the missed contributions to the Pension Fund.

VII. Formal Actions

A. Minutes

1. Approval of the minutes for the regular meeting held on Monday, October 23, 2023.
2. Approval of the minutes for the special meeting held on Friday, November 17, 2023.

<u>Motion by Peter Privitera to approve the minutes for the regular meeting held on Monday, October 23, 2023 and the minutes for the</u>

<u>special meeting held on Friday, November 17, 2023. Motion seconded by Chair Guzman. All in favor. Motion passed</u>.

B. Pension Administration

<u>Motion by Chair Guzman to approve all items under Pension Administration. Second by Peter Privitera. All in favor. Motion passed.</u>

1. Memberships
   BOE – Josie McCormick, Emma Scavo
3. Applications for approval
   a. Vested Interest
      BOE – Terri Kramer
   b. Normal Retirements
      BOE – Maria Carvalho (50% CA of Anibal Carvalho); Erwina Chambers-Pierre; Pasqualine Dassonville; Joanne Hall; Grace Johnson; Michelle Levere (50% CA of Philip Levere); William Wentworth.
      Town – Jennifer Georgina; Lisa Michaud; David Santora.
   c. Survivorship
      Town – Judith Gessford (Survivor of David Desmarais, Fire)

C. Invoices for consideration

1. Follow-up from October 23, 2023 meeting
   a. Marc implementation fee – Lori Kearney
      The MARC "go live" was pushed out to April 2024. The Board questioned whether the implementation fee will extend until the "go live" date and result in an additional expense. Lori consulted with Milliman and confirmed that the implementation fees are spread out over a 24-month period from March 2023 through February 2025. Once the system goes live, the licensing fees begin. The delay in the "go live" date does not extend the implementation fee or create an additional expense.
   b. Milliman GASB 67/68 – Peter Privitera
      Peter confirmed that the GASB report approved at the October 23, 2023 meeting was pension-related.
2. Milliman – Invoice for payment in the amount of $1,500 for MARC implementation fee for July 2023. Dated July 26, 2023.

3. Milliman – Invoice for payment in the amount of $1,500 for MARC implementation fee for October 2023. Dated October 18, 2023.
4. Milliman – Invoice for payment in the amount of $1,500 for MARC implementation fee for November 2023. Dated November 27, 2023.

Motion by Chair Guzman to approve the invoices under consideration. The motion was seconded by Jim Brennan. All in favor. Motion passed.

VIII. New Business

No new business raised.

IX. Adjournment

Motion by Chair Guzman to adjourn the meeting at 9:11 a.m. Motion seconded by Peter Privitera. All in favor. Motion passed.

Minutes submitted by Lori Kearney.

Attest,

Lori Kearney