A regular meeting of the Town of West Hartford Pension Board was held on Monday, May 13, 2024 at 7:45 a.m. in room 407 of Town Hall. The meeting was called to order at 7:47 a.m.

I. Roll Call/Attendance

Pension Board Members: Chair Lazaro Guzman; Commissioners Alan Lebow, Jim Brennan, and Perry Salonia.

Participants/Guests: Mayor Shari Cantor (dial-in); Rick Ledwith, Town Manager; Lisa Newton, Financial Operations Manager; Lori Kearney, Human Resources Specialist; Chris Kachmar and Matt Smith, Fiducient Advisors; Deb Schwartz, Mia Packer, and Maureen Joyce, Barings.

Absent: Mary Fay, Town Council

II. Lazaro Guzman, Chair

A. Opening Comments

III. Chris Kachmar, Fiducient Advisors

Representatives from Barings will dial in to the meeting at 8 a.m. Matt Smith from Fiducient Advisors is in attendance. He is a Senior Research Analyst covering the real estate space.

A. Barings Core Property Fund (BCPF) Presentation, Deb Schwartz/Co-Portfolio Manager, Mia Packer/Client Portfolio Manager, and Maureen Joyce/Head of US Real Estate Equity

1. Barings believes soft landing scenario is still likely despite headlines of sticky inflation. Real estate fundamentals are in good shape except for office sector. Debt maturities are coming due but the impact has not yet been felt. With interest rates at 4.5% and the inflation challenges, real estate transactions and appraisals will be based on a different set of assumptions than used in the past and those assumptions will impact NOI growth, financing costs, and valuation rates. Barings recognized these changes before its peers. The changes are trickling through to the industry and this quarter's index incurred significant valuation impairment. However, BCPF enjoyed relatively stable values.

2. BCPF contains 42 assets, is a $3.1 billion portfolio that is well diversified with primary focus on core assets. It is a low leverage vehicle. At the end of the 1st quarter 2024, leverage ended at 31.1%. The goal is

between 20-25%, and Barings intends to be at 27% by year end. Barings has a redemption queue. There has been a tremendous amount of rebalancing since COVID. A number of sales are underway. The goal is to use those proceeds to pay down debt and reduce the queue by 40% for year end.

3. By 4th quarter 2024, Barings intends to increase residential exposure from 29% to 34%, increase industrial exposure from 31% to 38%, decrease retail from 14% to 13% and decrease office exposure from 17% to 6%. The alternative category remains flat at 9%. Barings is actively trying to reduce its office space commitment and on track to get below 10% by the end of the year. They are moving away from the office sector due to the work-from-home impact, believing that it has permanently scarred the sector. The obsolescence in the office sector is underscored by the 22 year high vacancy rate. It is becoming increasingly expensive to operate office space with the high capital costs and cost to keep tenants and pay leasing commissions. Barings does not believe there is a recovery in the near to mid term, and other sectors offer more opportunities for the fund.

4. Barings' approach to valuing real estate differs from peers. Altus is the dominant company in this field. Half of its business is in advising firms and performing valuations and the other half is certifying. Barings has properties externally appraised by a firm other than Altus. It then reviews the appraisal, followed by a review from Altus for reasonableness, and then certification by Altus. Barings incorporates Altus' recommendations in its appraisals. On off-quarters, Barings prepares internal evaluations that include market data from transactions and apply a value. Then Altus reviews and certifies. Half of the index does not take Altus' recommendations but does obtain certification for reasonableness. The Town is in partial redemption mode. Chair Guzman commented that if Barings' valuation was more in line with the benchmark, we would be getting a better valuation on what we are trying to redeem. Matt Smith's perspective is that Barings is more aggressive in their write-downs than their peers and sees validity in that approach. They are marketing properties at a price where they will sell, but this has hurt the portfolio.

5. The Board is comfortable with the total real estate allocation. The question is whether Barings is the right manager for real estate. At the September meeting, the Board will review TA Realty and REIF as potential real estate managers.

6. Al Lebow questioned the math involved with Barings' plan to reduce debt, add new properties, and reduce the queue by 40% by selling properties, and requested a follow up.

B. Q1 2024 Portfolio Review

1. For quarter ending March 31, 2024, the Town's pension portfolio is up 5.3% versus 4.9% benchmark.

2. Milliman's exhibit comparing the historical risk and return for CT municipal pension plans from 2014 – 2023 shows the Town as the best ranked system in the state on this metric/data set.

3. No issues to address with asset allocation at end of 1st quarter.

C. Asset Allocation & IPS Discussion

1. Fiducient Advisors considers the Investment Policy Statement in good working order and there are no recommendations at this time. The existing IPS was adopted by the Board on 1/7/2019 and reaffirmed on 5/11/2020. Fiducient Advisors reviews it annually with the Board. Chair Guzman suggested the Board reaffirm it periodically either annually or every two years.

2. From a governance perspective, Fiducient Advisors affirms the Pension Board is adhering to best practices in the discharge of its duties.

3. Frontier Engineer Analysis

a. The Board discussed the alternative mixes to the current allocation (A) that have the potential to provide a similar return with reduced volatility. Some of those alternatives include new asset classes. The Board had narrowed down the options to C and D. With option C, the current manager roster can be utilized. With option D, new managers would need to be added following additional research.

Motion by Chair Guzman to transition from the current asset allocation of 30% fixed income, 65% equity, and 5% real assets to an asset allocation of 35% fixed income, 60% equity, and 5% real assets. Jim Brennan seconded the motion. All in favor. Motion passed.

4. The additional dollars allocated to fixed income with go to Vanguard Index. The 5% reduction in equity will be taken pro-rata from the existing funds.

D. Met West Update

1. Met West continues to be on watch.

2. Fiducient Advisors will provide updated information on Met West in the Fall.

IV. Lori Kearney, Human Resources Specialist

A. Meeting calendar for 2024 – next meeting September 16, 2024
Al Lebow cannot attend that meeting.

B. Summary of items under Formal Actions

V. Formal Actions

A. Minutes

1. Approval of the minutes for the regular meeting held on Monday, March 4, 2024.

Motion by Chair Guzman to approve the minutes for the regular meeting held on Monday, March 4, 2024. Motion seconded by Perry Salonia. All in favor. Motion passed.

B. Pension Administration

Motion by Chair Guzman to approve all items under Pension Administration. Motion seconded by Al Lebow. All in favor. Motion passed.

1. Memberships
BOE – Sittana Ali, Cassidy Arnold, Daria Cerminara, Timothy Richardson, Anthony Rodriguez, Sheena Shaji, Steve Velasquez
Town – Andrew Chase, Beth Cunningham, Delilah Delgado, Nicholas Dicioccio, Joshua Lennie, Jeffrey Rohrig, Parker Sorenson

2. Withdrawals and Terminations
BOE – Manasseh Kirkwood, Agnes Kalluci, Ryan White, Janice Glasgow, Nina Centino, Briana Alvarez, Caleb Wells, Amelia Pingue, Jason Charette, Christine Bailey, Sheena McMiller, Connor Allen, Daniel Zaleski, Rode Ponce
Town – Alexander Laureano, Dustin Belfiore, Nicholas Grasso, John Persechino, Benjamin Watkins, Katherine Zager, Karen Egger, Chad Hall, Generoso Coscarelli

3. Applications for approval

a. Vested Interest
BOE – Brendan Coates, Nicole Fromson
Town – Hugh O'Callaghan, Zachariah Viereck

b. Early retirements
BOE – Jose Ortiz Jr., Rosemarie Halverson

c. Normal retirements
BOE – Lawrence Bohman, Maureen Mahon (100% Contingent Annuitant of Bruce Mahon)
Town – Jesse Kristoff, Stephen Tarasek

d. Survivorships

Town – Joan Marshall (Survivor of Keith Marshall, Fire, Judy Maudsley (Survivor of John Maudsley, Police)

C. Invoices for consideration

1. Milliman –MARC implementation invoices
   a. February 2024 – $1500, dated 2/22/2024
   b. March 2024 – $1500, dated 3/12/2024
   c. April 2024 – $1500, dated 4/13/2024
2. Shipman & Goodwin – Invoice for professional services rendered through September 30, 2023 in the amount of $1,683, dated 10/25/2023
3. Fiducient Advisors – Invoice for first quarter consulting fees in the amount of $17,500, dated 3/22/2024.

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

VII. New Business

No new business raised.

VIII. Adjournment

Motion by Chair Guzman to adjourn the meeting at 9:22 a.m. Motion seconded by Jim Brennan. All in favor. Motion passed.

Minutes submitted by Lori Kearney.

Attest,

Lori Kearney