A regular meeting of the Town of West Hartford Pension Board was held on Monday, September 16, 2024 at 7:45 a.m. in room 407 of Town Hall.
The meeting was called to order at 7:49 a.m.

I. Roll Call/Attendance

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

Participants/Guests: Rick Ledwith, Town Manager; Lori Kearney, Human Resources Specialist; Chris Kachmar, Fiducient Advisors.

Absent: Al Lebow, Board Member; Lisa Newton, Interim Finance Director, Mayor Sherry Cantor; Mary Fay, Town Council

II. Lazaro Guzman, Chair

A. Opening Comments

1. Lisa Newton, Financial Operations Manager, was appointed Interim Finance Director effective June 1, 2024 following Peter Privitera's retirement. Lisa will hold all the same authority and privileges as the Finance Director and will service as a member of the Town of West Hartford Pension Board while holding this interim position.

III. Chris Kachmar, Fiducient Advisors

A. Capital Markets and portfolio update

1. Inflation has started to moderate. The economy is solid with enough slack for the Fed's anticipated rate cut this week. Investors are expecting this cut and the markets are handicapping. The economy is growing but at a diminished clip with unemployment increasing.

2. Much broader pattern of returns in July as compared to 2QU 2024. Bonds up 2.3%, small cap equity at over a 10% return compared to 1.5% for large cap.

3. Portfolio up 2.5% for July with a $13.5 million investment gain. Portfolio up 9.5% YTD. Performance continues to be good. Great fiscal year, up 12.4%, with Barings as an underperformer impacting that number. Portfolio booked $63,294,808 of investment gain for fiscal year ending June 2024.

4. Fiducient Advisors elevated the fixed income manager MetWest to terminate and suggests that the Town invest that capital elsewhere. International equity manager Harbor Diversified International All Cap Ret –

Marathon has been elevated to discuss due to portfolio manager changes. Discuss is the lowest threshold, and Fiducient Advisors is monitoring. No action is required at this time. The rest of the manager roster is in good working order.

5. The October meeting will include an update on the mechanics of the Town's funding and distribution process for payment of retiree pension benefits.

B. Fixed income manager search

1. To replace MetWest, Fiducient Advisors' research team vetted fixed income managers and highlighted Dodge & Cox Income I, Hartford Total Return Bond R6, and BlackRock Strategic Income Opps Instl for consideration. The Board reviewed the analysis and discussed the options.

Motion by Chair Guzman to replace MetWest with Dodge & Cox. Seconded by Jim Brennan. All in favor. Motion passed.

2. The fund had utilized a proportion of 17 (active-MetWest) – 13 (index) in favor of the active manager when the fixed income allocation was at 30%. The Board voted to increase the fixed income target allocation to 35% in May. Today, the Board decided to maintain the weight on the active manager, 20 (active-Dodge & Cox) - 15 (index).

3. The Board would like to accomplish this transaction prior to the Fed's anticipated announcement on Wednesday. Fiducient Advisors will prepare the documentation today for Lisa Newton's authorization, and if that is obtained by 2 p.m., the trade can occur today and settle tomorrow.

4. BlackRock will be revisited in October.

C. Barings & RE alternatives update

1. In depth discussion to be pushed to the October meeting.

2. As discussed in prior meetings, Barings' underwriting has been much more conservative than its peer group. It did not use the third party appraisals because it thought those were too high. This led to awful optics as compared to the index and peers. More recently, what Barings suggested has come to fruition. Barings is slowly catching up to the index and stabilizing. It still has a significant redemption queue at $660 million, but it saw its first recissions in 2QU 2024. It continues to move out of office space. It has dramatically reduced its office weight from 16% in 2Q to 6% currently. The Town's redemption notice is still in.

3. The pension portfolio is underweight by about 1.6% in real estate, and roughly $7 – 8 million should be allocated to real estate to meet the target allocation of 5%. The Board voted earlier this year to diversify Barings to RREEF. Chair Guzman questioned the timing. Chris Kachmar suggests waiting

until after the 1st quarter 2025, perhaps in April. Chair Guzman indicated that the Board will revisit this topic before the end of 2024. Also by year end, Chair Guzman plans for the Board to discuss whether to keep Barings in the portfolio or remove completely and reallocate those assets.

D. Portfolio allocation update

E. Fiduciary governance calendar

1. Investment fees – just an annual check-in, not an actionable item for the Board. Currently at .27%. Fiducient Advisors has no concern over the fees paid, and consider strategy to be cost effective.

F. Investment policy statement

1. Red-lined draft of changes to the target allocation voted on at the May meeting (60% equity, 35% fixed income, and 5% real estate).

Motion by Chair Guzman to reaffirm the Investment Policy Statement. Seconded by Perry Salonia. All in favor. Motion passed.

IV. Lori Kearney, Human Resources Specialist

A. Meeting calendar for 2024 – next meeting October 21, 2024

B. Purchased service credit ("buyback")

1. Discussed the process under the Pension Plan for purchasing previous service credit (active military duty or governmental service) for application to an employee's retirement benefit with the Town. The current calculation of cost is done internally by the Pension Division using actuarially determined service rates. These rates have been is use for at least two or three decades. Since that time, the Town, BOE, and the various collective bargaining units have negotiated different retirement benefit formulas for newer employees. The question has arisen as to whether the current buyback process and rates are applicable to these newer employees and whether their use fairly calculates the cost to purchase the previous service.

2. Milliman performed an initial review of the current buyback process but cannot determine the exact methodology used to set the existing service rates. Milliman offered options for the Town's consideration. 1) Use the current service rate process but update the service rates for all benefit tiers based on latest actuarial assumptions. Those rates may need future revisions if assumptions change. 2) The Town can outsource the buyback calculation process to Milliman. Milliman can apply their software to our Plan and member data to determine purchase price for individual members.

3. The Board supported further research on this topic. Lori Kearney will work with Milliman on next steps and provide follow up to the Board.

C. Disability Retirement application for Anthony Leca, Fire

1. Reviewed the application and medical documentation submitted to support a disability retirement for Anthony Leca, a firefighter hired on 1/30/2012. Effective date of disability retirement, 9/16/2024.
Motion by Chair Guzman to approve the disability retirement of Anthony Leca. Jim Brennan seconded. All in favor. Motion passed.

D. Summary of items under Formal Actions

V. Formal Actions

A. Minutes

1. Approval of the minutes for the regular meeting held on Monday, May 13, 2024.
Motion by Chair Guzman to approve the minutes for the regular meeting held on Monday, May 13, 2024. Perry Salonia seconded. All in favor. Motion passed.

B. Pension Administration
Motion by Chair Guzman to approve all items under Pension Administration. Perry Salonia seconded. All in favor. Motion passed.

1. Memberships
BOE – Alvarez, Briana; Ballard, Sara; Cruz, Gabriel; Doyle, Ashley; Emack, Heidi; Fudl, Imani Magid; Goggin, Rachel; Naranjo, Ana Maria; Rodriguez, Iliana; Widmaier-Giesow, Ruth.
Town – Barown, Zachary; Cummins, Tara; Dimattia, Joey; Ericson, Robert; Escobar, Jonathan; Farina, Rachael; Gauthier, Zachary; Hollingsworth, Katharine; Policarpio, Justin; Santaniello, Saverio; Van Stone, Nathaniel.

2. Withdrawals and Terminations
BOE – Dyson, Ariane; Corvalan, Alejandra; Leibin, Rachel; Bond, Amy; Krauss, Lynn; Lee, Danny; Davis, Danielle; LaPointe, Mark.
Town – Velez, Noah; Paulus, Jack.

3. Applications for approval

a. Early retirements
Town – DiCiancia, Mark

b. Normal retirements
BOE – Ashe, Wendy; Collins, Charmaine; Gaillard, Deborah; Green, Joan; Langan, Kathleen; Pollack, Lizbeth; Rice, Pamela; Rrumbullaku, Apostol; Smith, Susan; Tebecio, Sheila; Virgen, Juana.
Town – Adell, Marsha; Carfi, Kathryn (50% Contingent Annuitant of Thomas Niedzwiecki); Daniels-Bradley, Tammy; Lazure, Thomas; Lee, Helen; Privitera, Peter; Roman, Jennifer; Simonaitis,

Eleonora (50% Contingent Annuitant of Algis Simonaitis); Werner, Sheryl.

c. Survivorships

Town – Belyea, Marilyn (Survivor of Scott Belyea, Fire)

d. Vested interest applications

Town – Rousseau, Michael

C. Invoices for consideration

1. Milliman –MARC implementation invoices
   a. May 2024 – $1500, dated 5/18/2024.
   b. June 2024 – $1500, dated 6/16/2024.
   c. July 2024 – $1500, dated 7/17/2024.
   d. August 2024 - $1500, dated 8/18/2024.
2. Shipman & Goodwin
   a. Invoice for professional services rendered through April 30, 2024 in the amount of $1,980, dated 5/30/2024.
   b. Invoice for professional services rendered through May 31, 2024 in the amount of $2,772, dated 6/28/2024.
3. Pension Benefit Information, LLC – Annual invoice for death monitoring services in the amount of $3,295.50, dated 5/31/2024.

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

VI. New Business

No new business raised.

VII. Adjournment

<u>**Motion by Chair Guzman to adjourn the meeting at 9:17 a.m. Seconded by Perry Salonia. All in favor. Motion passed**</u>**.**

Minutes submitted by Lori Kearney.
Attest,

Lori Kearney