A regular meeting of the Town of West Hartford Pension Board was held on Monday, October 21, 2024 at 7:45 a.m. in room 407 of Town Hall.
The meeting was called to order at 7:45 a.m.

I. Roll Call/Attendance

Pension Board Members: Chair Lazaro Guzman; Commissioners Al Lebow and Jim Brennan; Lisa Newton, Acting Finance Director.

Participants/Guests: Mayor Shari Cantor (phone); Rick Ledwith, Town Manager; Lori Kearney, Human Resources Specialist; Lexi Davidoff, Personnel Analyst; Chris Kachmar, Fiducient Advisors.

Absent: Perry Salonia, Board Member; Mary Fay, Town Council

II. Lazaro Guzman, Chair

A. Opening Comments

1. Lori introduced Alexis Davidoff. Lexi has been hired as the Personnel Analyst in the Pension Division replacing Shauna Dempsey.

III. Chris Kachmar, Fiducient Advisors

A. Quarterly Investment Review – 3Q 2024

1. Themes include the Fed jump starting a rate cut campaign in September. This campaign is a bit different, starting at a lower base at 4.75% - 5%. Campaigns usually last a couple of years. If history holds, capital markets typically hold up fairly well. Election year politics factor in. Political party outcomes are not that different; biggest winners are those investors who stay invested regardless of political party. Fed made great headway on inflation which gave it the ability to cut rates. The U.S. labor market is cooling, and unemployment is increasing with rates above 4%. The U.S. dollar fell in the third quarter. Good outcomes for fixed income, global equity markets, and the diversifying asset classes. U.S. Large Cap up 21.2% YTD. U.S. Small Cap, International Developed, and Emerging Markets outperformed U.S. Large Cap in third quarter. U.S. Equity REITs and Real Assets performed well third quarter and YTD.

2. Pension Trust Dashboard – up 5.4% for the quarter. Portfolio's investment gain was close to $30 million in the third quarter with an ending market value of $576,898,894. Over last year, investment gain of $112,058,696.

3. Asset allocation – reallocation to 35% fixed income target is now fully complete. MetWest has been removed from the program in favor of Dodge & Cox. Portfolio largely aligned with target. Harbor Diversified International All Cap Ret-Marathon elevated to watch status in third quarter but no action is recommended at this time. Balance of roster in good working order. The Plan received over $1 million from Barings in early October. Those funds have been placed in the money market account.

4. Fee Analysis – 28 basis points weighted fee. This is a very competitive fee. Many of the Plan's peers are at 40-45-50 basis points. With $576 million in assets, $1.6 million a year is paid in investment management fees. If the Board did not want to pay any active management fees, we could probably get the program down to 7 - 9 basis points. Fiducient Advisors would not necessarily advocate for that, but it provides perspective.

5. Acadian Non-US All Cap Equity Fund, USD Hedged – QTD performance fell short. Further discussion at November meeting.

B. RE Alternatives and flexible fixed income

1. Dynamic bonds work well in unsettled rate environments. Many clients use this strategy as a hedge against unsettled rates, but it is a more expensive approach. Fiducient Advisors wants to keep this strategy in front of the Board although it is not an action item for today.

2. Flash Report – Barings Core Property Fund. Barings conservative approach appears to be working as it has outperformed benchmark for the third straight quarter. Real estate analyst, Matt Smith, will attend the November meeting to provide an update on real estate and RREEF. The portfolio is about 2% underweight on real estate currently. Next month's meeting will include a discussion on how to get back to the target weight, timing, and whether to keep Barings.

C. Pension reserve fund update

1. $16.5 million invested in a pair of short duration fixed income strategies currently (Baird and Payden). $1.6 million in investment gains since inception. Durations for each are about ½ year. Baird about 4.8% yield and Payden about a 5.3% yield currently. Adopted a conservative approach for this fund.

D. Trust Liquidity Management

1. Historically, at end of fiscal year, money is raised and deposited in a large lump sum in the Trust. The Town's approach differs from many peers

who keep money in the Trust, have a quarterly set aside, and then replenish over the fiscal year.

2. Lisa Newton performed a cash flow analysis of the operating fund. To cover expenses in the operating fund, about $2.5 million is needed per month from the Trust. Going forward, she will take $7.5 million out of the Trust every quarter and then true up in the final quarter of the fiscal year. This will spread liquidity needs over the course of the year and alleviate the need for a large liquidation to produce the annual lump sum deposit to the Trust. This change will be implemented starting in October.

IV. Lori Kearney, Human Resources Specialist

A. Meeting calendar

1. Final meeting of the year scheduled for November 18, 2024.

2. Draft of the 2025 pension board schedule will be presented at the November meeting for review.

B. Purchased service credit ("buyback") update

1. Options

a. Outsource buyback process to Milliman at a cost of $500 per buyback calculation. Milliman would utilize its software application to determine purchase price.

b. Continue to calculate purchase price internally using the existing methodology but applying service rates that have been updated by Milliman based on current actuarial assumptions. The cost for Milliman's review is $1500. Service rates may need to be reviewed periodically as plan assumptions change.

2. The Pension Division has performed 8 buybacks year to date with 4 pending.

3. The Pension Division recommends continuing the calculations internally and requesting an update to the service rates by Milliman. **Motion by Lazaro Guzman to approve the $1500 expenditure to have Milliman review the service rates. Seconded by Jim Brennan. All in favor. Motion passed.**

C. MARC implementation update

1. Preparing to go live. Following that, there will be a testing period of 6 to 8 months before launch to Town and BOE staff.

D. Summary of items under Formal Actions

V. Formal Actions

A. Minutes

1. Approval of the minutes for the regular meeting held on Monday, September 16, 2024.

Motion by Chair Guzman to approve the minutes for the regular meeting held on Monday, September 16, 2024. Jim Brennan seconded. All in favor, Al Lebow abstained. Motion passed.

B. Pension Administration

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

1. Memberships

   BOE – Galdi, Dinh; Hamblin, Khari; Johnson, Kristin; Leibin, Rachel; Little, Adrianna; Ramos, Dayma; Santana, Roberta.

   Town – Bouchard, Christopher; Cogliati, Kyle; Davidoff, Alexis; DeNegre, Nicholas; Prose, Amber; Velez, Morgan.

2. Withdrawals and Terminations

   BOE – Peters, Erin; Goodwill, Taylor; Ozycz, Olivia.

3. Applications for approval

   a. Vested Interest

      BOE – Colbert, Julie

   a. Normal retirements

      BOE – Longo, Michael

   c. Survivorships

      Town – Marks, Laurie (Survivor of William Marks, Police)

C. Invoices for consideration

1. Milliman

   a. Invoice for MARC implementation fee in the amount of $1,500 for September 2024. Invoice date 9/16/2024.

2. Fiducient Advisors

   a. Invoice for 3QU 2024 consulting fee in the amount of $18,025. Invoice date 9/11/2024.

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

VI. New Business

A. Al inquired about the timing of the annual update from Milliman regarding valuation results.

B. Lisa shared that the Town receives an update from Milliman for the Town's year end audit around October/November.

C. Milliman will be invited to the January meeting to discuss the valuation and related reporting.

VII. Adjournment

Motion by Chair Guzman to adjourn the meeting at 8:38 a.m. Seconded by Jim Brennan. All in favor. Motion passed.

Minutes submitted by Lori Kearney.
Attest,

Lori Kearney