

**MINUTES OF THE TOWN OF FARMINGTON RETIREMENT BOARD
MEETING
HELD ON AUGUST 18, 2016**

PRESENT:

Board Members

Peter Mastrobattista
Ed Leary
Robert Ingvertsen
Joan Valente
Douglas Clark
Bob Brochu
Stephen Egan

Other

Chris Rowlins
Joseph Swetcky

CALL TO ORDER

The meeting was called to order at 4:30 p.m. by Peter Mastrobattista.

PUBLIC COMMENTS

Several members of the public were present. Alan Fournier, a retired police officer, spoke in favor of granting benefit adjustments for retirees.

REVIEW AND ACTION ON THE MINUTES OF THE MEETING OF MAY 10, 2016

Mr. Leary moved to approve the minutes of the meeting of May 10, 2016 as presented. The motion was seconded by Ms. Valenti and approved by the Board.

INVESTMENT PERFORMANCE REVIEW: QUARTER ENDED JUNE 30, 2016

Mr. Rowlins began his presentation of the quarterly review by noting that under the FIA Governance Calendar at this meeting there should be a discussion on Practices and Policies. He noted that there are five components to an effective investment policy statement:

- Contains the detail to define, implement and manage a specific investment strategy;
- Defines the duties and responsibilities of all parties involved;
- Defines diversification and rebalancing guidelines consistent with the client's risk profile and time horizon;
- Defines due diligence criteria for selecting investment options;
- Defines monitoring criteria for investment options.

Mr. Rowlins pointed out that the Farmington Investment Policy Statement contained all five components. He also indicated that the Policy was last changed in 2015 and that FIA was not recommending any changes at this time.

In regards to the Plan's Investment Portfolio, at June 30, 2016 total assets equaled \$78,289,452. By asset class the portfolio was:

Cash	\$ 1,046,494
Fixed Income	\$22,665,341
Domestic Equity	\$23,391,885
International Equity	\$15,028,988
Real Estate	\$ 5,050,284
Inflation Protection	\$ 3,436,577
Asset Allocation	\$ 7,669,884

For the quarter the Plan's investment allocation returned 1.8% which was .3% lower than the Plan's blended benchmark. Calendar year to date investments had returned 3.3% versus 4% for the blended benchmark and for the Plan Year (July, 2015 to June, 2016) the return was .1% which was .9% lower than the benchmark.

Fixed income investments performed well for the quarter with the exception of Templeton Global Bond Fund which showed a loss for both the quarter and year to date. Equities had mixed results with domestic stocks performing well but international stocks having a difficult time. In particular the Templeton Institutional Foreign Smaller Company Fund had a bad quarter and has not performed well year to date. Mr. Rowlin indicated FIA was watching this fund but has not put it on the Watch List. In contrast to Templeton, the Aberdeen Emerging Markets Fund had a very good quarter, returning 4.3% and ranking eleventh among its peers. Year to date Aberdeen Emerging Markets has earned 12.9% which is two times what its benchmark returned.

Among the Inflation Protection funds, Van Eck Global Hard Assets outperformed its benchmark by 3.3% for the quarter and 9.3% year to date. The fund's performance was heavily impacted by the positive gains in gold and energy during the quarter.

The two Asset Allocation Funds proved to be a drag on the portfolio during the quarter. The Blackrock Global Allocation Fund returned .7% for which was 1% below its benchmark, while the Wells Fargo Asset Allocation Fund returned only .8%. The Wells Fargo Asset Allocation Fund was placed on FIA's Watch List during the quarter because of changes to the investment team and to the sub-advisor team.

Overall, Mr. Rowlin indicated that FIA was pleased with the performance of the portfolio for the quarter, and were comfortable with the current asset allocation. He felt that no changes needed to be made at this time to the portfolio.

RETIREE PENSION BENEFITS

Mr. Swetcky distributed several handouts showing options for granting a benefit adjustment to existing retirees. He noted that these options were developed as a result of Retirement Board members' requests at the previous meeting to develop benefit adjustment options that were less costly than the ones presented at the May meeting. The

Board members discussed at length, the options presented as well as the prudence of recommending a benefit adjustment at this time. Several board members noted that they were not comfortable recommending a benefit adjustment until the Plan reached a funding level of at least 80%.

After discussion, Mr. Brochu moved that the Board recommend to the Town Council that a special benefit payment not be made to retirees because the Plan was not able to afford it at this time. The motion was seconded by Ms. Valenti.

After further discussion, Mr. Leary moved to amend the motion by adding a requirement that another review be undertaken in two years instead of waiting for another five years as required by Town ordinance. The motion was seconded by Mr. Ingvertsen. The motion to amend failed on a vote of 4 nays and 3 yeas.

Mr. Mastrobattista then called for a vote on the main motion, which passed on a vote of 6-1. The Board then requested that their recommendation be submitted to the Town Council for review and action.

There being no further business; Mr. Brochu made a motion to adjourn the meeting. The motion was seconded by Ms. Valenti and approved. The meeting adjourned at 5:42 p.m.

Respectfully submitted,

Joseph Swetcky, Jr.
Director of Finance

Approved by the Retirement Board on November 16, 2016.