

**MINUTES OF THE TOWN OF FARMINGTON RETIREMENT BOARD
MEETING
HELD ON MAY 16, 2019**

PRESENT:

Board Members

Bruce Charette
Ken Miller
Stephen Cohen
Robert Huelin
Geoffrey Porter

Other:

Christopher Rowllins
Joseph Swetcky

CALL TO ORDER

The meeting was called to order at 4:35 p.m. by Mr. Charette.

PUBLIC COMMENTS

There were no members of the public present.

**REVIEW AND ACTION ON THE MINUTES OF THE MEETING OF
FEBRUARY 19, 2019**

Mr. Huelin moved to approve the minutes of the Retirement Board meeting of February 19, 2019. Mr. Cohen seconded the motion, and the minutes were approved as presented.

**INVESTMENT PERFORMANCE REVIEW AND POSSIBLE ACTION ON
RECOMMENDATIONS: QUARTER ENDED MARCH 31, 2019**

Mr. Rowllins began his presentation by pointing out that under FIA's Defined Benefit Fiduciary Governance Calendar the topic of fees should be discussed at this meeting. He referred to page 7 of the quarterly report which showed that based on the current investment mix the weighted average investment management fee was .49%. In addition, Wells Fargo's base fee for custodial services is .03% on all assets plus an account fee of \$1,000. Finally, FIA's fee is \$55,344. Mr. Rowllins felt that in total the fees paid by the Plan were reasonable.

At March 31, 2019 the total Plan portfolio was \$90,458,546 which was a gain of \$7,148,247 for the quarter. The plan's investments slightly outperformed its blended benchmark returning 8.5% versus 8.4% for the benchmark. By sector, fixed income performed well returning 3.2% which exceeded its benchmark by .4%. Strong fund performers for the quarter were the Fidelity Total Bond Fund (3.8% vs. 2.9%) and the PGIM Total Return Bond Fund (4.0% vs. 2.9%). The JP Morgan Strategic Income Opportunities fund was the only fixed income fund that did not meet or exceed its benchmark.

Domestic Equity returns were slightly below their benchmark, returning 13.9% while the benchmark returned 14%. The Eaton Vance Atlanta Capital SMID returned 15.9% for the quarter but underperformed its benchmark by 3.1%.

International equity funds exceeded their benchmark by 2.8%, earning 13.1%. All funds in this category exceeded their benchmarks with the Hartford International Opportunities Fund having the best performance (14.1% vs. 10.3%). Also performing well for the quarter was the American Funds Europacific Growth Fund which returned 13.2%.

The Barings Core Property Fund had strong performance for the quarter earning 1.8% which beat its benchmark by .6%. Mr. Rowlinson noted that this fund invested in very high-quality properties. Barings' March 31, 2019 quarterly report was included in the FIA report so that the Board members could see what types of properties the Barings Fund invested.

The Inflation Protection sector of the portfolio performed well for the quarter but underperformed its benchmark by 1.4%. The Van Eck Global Hard Assets Fund returned 13.5% but was 2.7% below its benchmark. This dragged down the rest of the funds in this sector.

Under the Asset Allocation sleeve the GMO Global Balanced Asset Allocation Fund underperformed its benchmark by 1.5%. This fund was hurt by its bias towards international markets.

Mr. Rowlinson noted that no funds were on the FIA Watchlist at this time.

In response to issues raised by the Retirement Board at their last meeting, Mr. Rowlinson presented the following recommendations.

Barings Core Property Fund

The Board Members were concerned that the fund had exceeded the 5% target allocation and was currently closer to a 7% allocation. Mr. Rowlinson felt that because this fund provides diversification benefits to the equity component and because it has a hybrid return profile, the target allocation should be adjusted to 7% and that the dividends continue to be reinvested back into the fund.

Inflation Hedge Allocation

The three funds in this sector were added to protect against inflation that was expected because of central bank global monetary stimulus efforts. After a review of this allocation FIA was recommending that the target allocation to this sector be eliminated, that the money in the Van Eck Global Hard Assets; Credit Suisse Commodity Return; and, Vanguard Short Term Inflation Protection funds be reallocated to other existing funds in the Plan portfolio.

Mr. Rowlinson stated that if the Retirement Board agreed with these recommendations then they would have to revise the Target Asset Allocation Table in the Investment Policy

Statement. He provided a revised Target Asset Allocation Table showing the proposed changes. (Attached at the end of these minutes)

The Retirement Board members thank Mr. Rowlins for providing FIA's responses to their concerns raised at the February 19, 2019 meeting. Mr. Miller made a motion to accept FIA's recommendations and to revise the Target Asset Allocation Table in the Investment Policy Statement. The motion was seconded by Mr. Cohen. After brief discussion the motion was approved unanimously. Mr. Rowlins informed the Board that based upon their action he would work with the Director of Finance to liquidate the three inflation protection funds and spread the proceeds across the other funds in the portfolio.

INVESTMENT PERFORMANCE UPDATE: APRIL 2019

Mr. Rowlins reviewed FIA's Monthly Performance Flash report for April 2019. The Plan's investments performed well in April earning 2.2% which exceed its blended benchmark by .2%. Strong performers for the month included the Templeton Global Bond Fund which returned 1.5% and was top rated versus its peers; the Vanguard Explorer Value Fund (4.7% vs. 3.5%); the Eaton Vance Atlanta Capital SMID fund (5.2% vs. 3.5%); and, the Aberdeen Emerging Markets Fund (3.5% vs. 2.1%). At April 30, 2019 total plan assets stood at \$92,048,008.

There being no further business, Mr. Miller made a motion to adjourn the meeting. The motion was seconded by Mr. Cohen and approved. The meeting adjourned at 5:27 p.m.

Respectfully submitted,

Joseph Swetcky, Jr.
Director of Finance

Approved by the Retirement Board of September 9, 2019