MINUTES OF THE TOWN OF FARMINGTON RETIREMENT BOARD MEETING
HELD ON SEPTEMBER 9, 2019

PRESENT:
Board Members
Bruce Charette
Ken Miller
Robert Huelin
Robert Brochu
Joan Valente
Robert Ingvertsen
Stephen Egan
Kyle Cunningham
Joshua Allen

Other:
Christopher Rowlins
Joseph Swetcky

CALL TO ORDER
The meeting was called to order at 4:33 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 MAY 16, 2019

Mr. Miller moved to approve the minutes of the Retirement Board meeting of May 16, 2019. Mr. Brochu seconded the motion, and the minutes were approved as presented.

INVESTMENT PERFORMANCE REVIEW AND POSSIBLE ACTION ON RECOMMENDATIONS: QUARTER ENDED JUNE 30, 2019

Governance Calendar
Under the Defined Benefit Fiduciary Governance Calendar at this meeting the Retirement Board should review the investment policy. Mr. Rowlins noted that the Plan’s current investment policy was adjusted by the Board in May 2019 when they made changes to the asset mix and target allocations. Mr. Rowlins did not have any recommendations for changes to the policy at this time.

In regard to legislative updates, he noted that the Society for Actuaries published new mortality tables in January 2019. The new tables include specific mortality tables for U.S. public pension plans. The new tables include mortality assumptions for teachers, public safety professionals, and general employees. The actual impact of the new tables on pension plan liabilities is not known at this time but the tables do reflect longer life expectancies. The new tables will be discussed in more detail when the Plan’s Actuary presents the July 1, 2019 valuation to the Board later this year.
Investment Performance
As of June 30, 2019, total Plan Assets stood at $91,768,047 of which $29.5 million or 32.2% was in fixed income; $28.1 million or 30.7% was in domestic equities; $20.9 million or 22.7% was in international equities; $6.2 million or 6.7% was in real estate; and, $6.4 million or 7.0% was in an asset allocator – GMO Global Asset Allocation II.

For the quarter the plan’s investments gained 3.4% versus its benchmark of 3.1%. Year to date the investments had added $10,148,546 or 12.2% of value. This was .4% above the blended benchmark. A question was raised as to whether the plan’s investments should be beating the benchmark instead of just matching it. Board members question whether we should be happy to just match the benchmark, or should strategies be in place with the goal to exceed it.

By asset class performance was:

Fixed Income returned 2.6% for the quarter which was slightly below the blended benchmark of 3.0%. Mr. Rowlins noted that it may be time to close out the Invesco Floating Rate Fund. The fund has performed consistently below its benchmark. He suggested closing it and moving the assets to the Vanguard Total Bond Market Index. After discussion, Ms. Valente moved that the assets in Invesco Floating Rate Fund be moved in equal amounts to the Metropolitan West Total Return Fund and the Vanguard Total Bond Market Index Fund. The motion was seconded by Mr. Miller and approved by the Board members. Mr. Brochu raised concerns about the poor performance of the Templeton Global Bond Fund. He questioned whether the performance of the fund was due to the fund’s exposure to Argentina debt. Mr. Rowlins indicated that he would research whether this was an issue and provide an answer back to the Board.

Domestic Equity returned 5.0% for the quarter versus its benchmark of 4.1%. Year to date the asset class had returned 19.6% versus 18.7% for the benchmark. The top two performers in this asset class were the Vanguard Explorer Value Fund, which returned 4.25 and the Eaton Vance Atlanta Capital SMID which returned 9%. Both funds significantly exceeded their benchmarks.

International Equity returned 3.3% for the quarter and 16.8% year to date. The top performing fund was the Aberdeen Emerging Markets fund which returned 3.6% for the quarter and 14.8% year to date. All funds in this category exceeded their benchmarks for the quarter and year to date.

Real Estate returned 1.6% for the quarter and 3.4% year to date which were well above the benchmarks.

The GMO Global Asset Allocation fund is used as an asset allocator within the Plan. For the quarter GMO returned 2.7% which was .8% below its composite benchmark and year to date returned 10.2% versus its benchmark which returned 12.8%. The primary reason for the down performance was the fund’s large exposure to foreign investments. Approximately 40% of the Fund’s portfolio is in foreign investments.
There was a significant amount of discussion concerning the GMO Global Asset Allocation fund. Discussion centered around whether the fund was benefitting the Pension Plan or dragging down overall investment performance. After discussion Ms. Valente requested that FIA prepare a report showing what the asset allocation of the pension plan portfolio would look like without GMO in it. She requested that the report show what alternative investment strategies the Plan would utilize; what the impact would be on fees; and what the impact would be on performance.

Mr. Rowlins presented the Plan’s asset allocation and investment performance as of July 31, 2019. At the end of July, the investment portfolio stood at $95,084,373 an increase of .02%. The following funds had significant investment returns for the month:

- Templeton Global Bond Fund +1.5%
- JP Morgan Strategic Opportunities +.4%
- Eaton Vance Atlanta Capital SMID +.6%

Mr. Rowlins also pointed out that the Town made its annual required contribution in July. The contribution, which was excess of $3.5 million, helped to increase the size of the investment portfolio.

There being no further business, Mr. Miller made a motion to adjourn the meeting. The motion was seconded by Ms. Valente and approved. The meeting adjourned at 5:39 p.m.

Respectfully submitted,

Joseph Swetcky, Jr.
Director of Finance