PRESENT:
Board Members
Peter Mastrobattista
Michael Ziebka
Robert Brochu
Joan Valenti
Robert Ingvertsen
Kyle Cunningham
Geoffrey Porter
Stephen Egan
Rob Huelin
David Wlodkowski

Other:
Christopher Rowlins
Joseph Swetcky
Anna Savastano

NOTE: This meeting was held online through ZOOM.

CALL TO ORDER
The meeting was called to order at 4:32 p.m. by Mr. Mastrobattista.

PUBLIC COMMENTS
There were no members of the public present.

REVIEW AND ACTION ON THE MINUTES OF THE MEETING OF JUNE 4, 2020

Mr. Brochu moved to approve the minutes of the Retirement Board meeting of June 4, 2020. Ms. Valentti seconded the motion, and the minutes were approved as presented.

INVESTMENT PERFORMANCE REVIEW QUARTER ENDED JUNE 30, 2020

Mr. Rowlins presented the investment performance results for the quarter ended June 30, 2020. He began by noting that under FIA’s Fiduciary Governance Calendar this quarter’s focus should be on practice and policy. This means that the investment policy statement should be reviewed and updated if necessary. Mr. Rowlins reminded the Board members that they last approved the investment policy statement in November of 2019. He informed Board Members that FIA was not recommending any changes to the policy at this time.

Regarding investment performance, Plan assets stood at $90.8 million at June 30, 2020, an increase of $8.8 million since the end of the last quarter. This was a gain of 12.9%. By asset allocation, 34.9% was allocated to Fixed Income; 32.8% was allocated to domestic equity; 24.4% was allocated to international equity; and, 7% was in real estate. Year to date the investment portfolio returned a -3.0% versus its blended benchmark which returned a -1.4%.

Among asset classes, fixed income returned 3.9% for the quarter which was 1.1% better than the blended benchmark. All of the funds in this asset class outperformed their benchmarks except for the Templeton Global Bond Fund which was 190 basis points below its benchmark.
Domestic equity returned 21.2% for the quarter versus 22.0% for its benchmark. The Eaton Vance Atlanta Capital fund did not perform well for the quarter underperforming its benchmark 22.2% versus 32.9%.

International equity had a strong quarter returning 22.4% versus its benchmark which returned 16.1%. All funds in this asset class exceeded their benchmarks with especially strong performances by American Funds EuroPacific Growth fund and Hartford International Opportunities fund.

INVESTMENT PERFORMANCE UPDATE SINCE JUNE 30, 2020
On July 31, 2020, the portfolio was at $97,860,638. For the month investments returned 3.7% which was slightly better than its blended benchmark which returned 3.6%. The main performance drivers for the month were the international equity funds which returned 6.1% which was 1.6% better than their blended benchmark. The worst performing fund for the month was the Templeton Global Bond fund which had a negative return for the month.

On August 31, 2020 investment performance pushed the portfolio to $100.3 million. The investment portfolio returned 3.1% for August which almost matched the blended benchmark which returned 3.2%. Quarter to date the investments equaled the blended benchmark with a return of 6.9%. Once again, the strongest performance came from the funds in the international equity asset class with returns of 5.1%.

REVIEW AND POSSIBLE ACTION ON PROPOSED INVESTMENT PORTFOLIO CHANGES
Mr. Rowlins presented the Retirement Board with two proposed portfolio changes to consider. He noted that as of August 31, 2020 the current asset allocations were:

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Current Allocation</th>
<th>Target Allocation</th>
</tr>
</thead>
<tbody>
<tr>
<td>Fixed Income</td>
<td>33.0%</td>
<td>35.25%</td>
</tr>
<tr>
<td>Domestic Equity</td>
<td>34.0%</td>
<td>33.25%</td>
</tr>
<tr>
<td>International Equity</td>
<td>24.6%</td>
<td>24.50%</td>
</tr>
<tr>
<td>Real Estate</td>
<td>6.4%</td>
<td>7.00%</td>
</tr>
</tbody>
</table>

Proposal #1: Within the domestic equity class, the Plan has a 22.7% exposure to the S&P 500 due to the large allocation to the Vanguard S&P 500 Index Fund. FIA’s recommendation was to reduce the exposure to the S&P 500 to 15.7%; and, retain a large cap value target allocation of 7.5%.

Specifically, Mr. Rowlins proposed that the Board reduce the investment in the Vanguard S&P 500 Index fund to 15.7% and add a Large Cap Value fund. He offered for consideration three large cap value funds that FIA had performed due diligence on and who met FIA’s criteria for inclusion in the investment portfolio:

T. Rowe Price Value Fund
Harbor Large Cap Value Fund
Dodge & Cox Stock Fund

Mr. Rowlins presented information on each fund, as well as the pros and cons of each fund. The Board members discussed the proposal to reduce the target allocation to the S&P 500 to 15.7% and to add a dedicated large cap value exposure. They also discussed the three fund options.
After discussion, a motion was made by Mr. Brochu to:

“Move to reduce the allocation to the S&P 500 from 22.7% to 15.7% and to add a target allocation of 7.5% to a large cap value strategy by adding the T. Rowe Price Value Fund to the portfolio.”

The motion was seconded by Ms. Valenti and after additional discussion was approved unanimously.

Proposal # 2: Under FIA’s second proposal the portfolio would add a new asset class for global fixed income with a 5% exposure. The target allocation for the fixed income class would be reduced from 35.25% to 30.25% to make up the 5% exposure in the new class.

This proposal was being recommended for two reasons. First, the Plan did not have a dedicated target allocation to emerging market debt. The Templeton Global Bond Fund was supposed to give the Plan some exposure to global emerging markets but recently this fund had shifted away from emerging market debt in favor of short-term government bonds and cash instruments. FIA felt that a dedicated allocation to emerging market debt could provide income and diversification to the Plan’s fixed income portfolio while also offering returns comparable to high yield debt but with lower correlations to domestic equities.

Mr. Rowlins offered for consideration two fund options for Board consideration:

Ashmore Emerging Markets Total Return
Eaton Vance Emerging Markets Debt Opportunities

Mr. Rowlins presented information on both investment options. After a brief discussion Mr. Brochu made a motion to:

“Move that the Plan set a 5% target allocation to an emerging markets asset class and move the funds in the Templeton Global Bond Fund to the Eaton Vance Emerging Markets Debt Opportunities Fund.”

The motion was seconded by Ms. Valenti and after additional discussion was approved unanimously.

Mr. Brochu thanked Mr. Rowlins and FIA for being proactive in bringing these proposals before the Board.

There being no further business, Ms. Valenti made a motion to adjourn the meeting. The motion was seconded by Mr. Brochu and approved. The meeting adjourned at 5:33 p.m.

Respectfully submitted,

Joseph Swetcky, Jr.
Director of Finance