

**MINUTES OF THE TOWN OF FARMINGTON RETIREMENT BOARD
MEETING
HELD ON FEBRUARY 19, 2019**

PRESENT:

Board Members

Bruce Charette
Joan Valenti
Stephen Cohen
Stephen Egan
Robert Huelin
Geoffrey Porter
Joshua Allen
Kyle Cunningham
Rob Ingvertsen

Other:

Christopher Rowllins
Kate Pizzi
Joseph Swetcky

CALL TO ORDER

The meeting was called to order at 4:31 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
DECEMBER 3, 2018**

Mr. Egan moved to approve the minutes of the Retirement Board meeting of December 3, 2018. Mr. Allen seconded the motion, and the minutes were approved as presented.

**INVESTMENT PERFORMANCE REVIEW: QUARTER ENDED DECEMBER
31, 2018**

Mr. Rowllins introduced Kate Pizzzi as a new member to the FIA team. He also gave a brief review of FIA. He noted that FIA was in its 12th year as an independent firm. Currently they advise 35 Connecticut municipal pension plans and 12 Massachusetts plans.

Ms. Pizzi and Mr. Rowllins presented the investment performance results for the quarter ended December 31, 2018. They noted that the market value of the investment portfolio stood at \$84,779,981. For the quarter October 1, 2018 to December 31, 2018 the investment portfolio returned a -7.9%. This was -0.3% below the blended benchmark. For the one-year period the Plan's investments returned -6.0% compared to its benchmark which returned -5.2%. Equity investments drove down performance during the quarter and for the year.

Ms. Valenti noted that the Real Estate component of the portfolio was at 7% of the total portfolio which was 2% over its target allocation. She questioned whether this investment class should be rebalanced to bring it back to the 5% target level. Mr. Rowlins indicated that although the investment class was over its target allocation, FIA felt comfortable with it and therefore they were not recommending any changes.

INVESTMENT PERFORMANCE UPDATE: JANUARY 1, 2019 TO DATE

For the month of January 2019 the portfolio returned 5.1% versus its benchmark which returned 5.3%. The fixed income investments returned 1.6% for the month which outperformed the benchmark by .4%. The Fidelity Total Bond Fund and the Templeton Global Bond Fund had strong performances during the month and both exceeded their benchmarks.

Domestic equities returned 8.5% for the month, while international equities returned 8.1%. The Hartford International Opportunities Fund and American Funds Europacific Growth Fund performed very well for the month. The inflation protection component of the portfolio returned 5.5% for the month which was .8% below the benchmark. The Van Eck Global Hard Assets Fund returned 11.8% for the month but still lagged its benchmark by 1%. In response to a question Mr. Rowlins pointed out that the Van Eck fund was no longer on FIA's watchlist. He concluded the presentation by noting that fees currently equaled .49% of the portfolio.

Chris Rowlins and Kate Pizzi left the meeting at 5:10 pm.

DISCUSSION AND ACTION ON INVESTMENT CONSULTANT CONTRACT

Ms. Valenti began the discussion by noting that FIA has been the investment consultant to the retirement board since 2010. Currently FIA is on a year to year contract and she felt it was important for the retirement board members to discuss if they want to continue with FIA or explore other investment consultants. Ms. Valenti also indicated that she had some concerns with FIA's performance which she brought up at the last meeting.

One of the concerns Ms. Valenti raised was the concern that the real estate component of the investment portfolio has exceeded its target allocation, but FIA has not brought this to the Board's attention nor have they offered any options for addressing it. After discussion by the Board members, Ms. Valenti made a motion to direct FIA to develop options for the Retirement Board to consider addressing the situation of the real estate component of the investment portfolio exceeding its targeted allocation. Some of the options that the Board wanted FIA to address included:

- Changing the target allocation to 7%;
- Reducing the amount in the fund to the 5% level and investing the excess funds in another vehicle;
- Changing the account profile so that interest and dividends are no longer reinvested back into the fund;

The Board requested that it be stressed to FIA that doing nothing was not an option the Board was willing to consider. The motion was seconded by Mr. Porter and approved unanimously.

A second concern raised by Board members was FIA's slowness in recommending the termination of managers. The Van Eck Global Assets fund was cited as an example. The fund was on FIA's watch list for several quarters due to poor performance. On the latest report it has been taken off the watch list because performance has improved but they are still underperforming their benchmark. Several board members felt that the performance of this fund was a drag on the performance of the overall portfolio. After discussion Ms. Valenti made a motion to direct FIA to provide a list of options for replacing the Van Eck Fund. The motion was seconded by Mr. Cohen and approved.

The Board members continued their discussion on FIA's performance and their contract. After a lengthy debate, Ms. Valenti made a motion to propose to FIA that the Board would extend FIA's contract for two years if FIA agreed to freeze their fees at the current level during the two-year extension. The motion was seconded by Mr. Allen and approved unanimously.

There being no further business, Mr. Egan made a motion to adjourn the meeting. The motion was seconded by Mr. Cunningham and approved. The meeting adjourned at 5:59 p.m.

Respectfully submitted,

Joseph Swetcky, Jr.
Director of Finance

Approved by the Farmington Retirement Board on May 16, 2019