

**MINUTES OF THE TOWN OF FARMINGTON RETIREMENT BOARD MEETING
HELD ON AUGUST 25, 2021**

PRESENT:

Board Members

Peter Mastrobattista
Bob Brochu
Rob Huelin
Michael Ziebka
Stephen Egan
Vic Michaud

Other:

Christopher Rowlins
Joseph Swetcky

CALL TO ORDER

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

PUBLIC COMMENTS

There were no members of the public present.

INTRODUCTION OF MEMBERS AND STAFF

Since it was over a year since the Retirement Board had met in person due to the COVID-19 pandemic and since new members had been appointed to the Board, Mr. Mastrobattista requested that each person present introduce themselves.

REVIEW AND ACTION ON THE MINUTES OF THE MEETING OF MAY 18, 2021

Mr. Ziebka moved to approve the minutes of the Retirement Board meeting of May 18, 2021. Mr. Brochu seconded the motion, and the minutes were approved as presented.

INVESTMENT PERFORMANCE REVIEW QUARTER ENDED JUNE 30, 2021

Mr. Rowlins started his presentation by reviewing the Fiduciary Governance Calendar. For the quarter ended June 30, 2021, the focus was on practice and policy, specifically, the investment policy. He noted that Farmington's Investment Policy Statement as presently stated was adopted in August 2015 and last reviewed in August 2020. The asset allocation table in Appendix A was adopted in August of 2020. Fiducient Advisors was not recommending any changes to the investment policy statement at this time.

Regarding the Pension Plan, assets stood at \$111,054,502 on June 30, 2021. Compared to the target allocations, fixed income was 30.8% of the total, which was 4.5% under its target. Domestic equity at 35.8% was 2.5% over weighted and international equity was 1.5% overweighted. Mr. Rowlins felt that there was not a need to rebalance the portfolio despite the overweighting towards equities.

Looking at asset allocation by asset class, Mr. Rowlins pointed out that 8.3% of the portfolio was in emerging markets. The portfolio had a direct investment in this asset class through investments in the Aberdeen Emerging Markets Fund, and through exposures that the Hartford International Opportunities Fund, the American Funds EuroPacific Growth Fund, and the Templeton Institutional Foreign Smaller Companies Fund had in this asset class.

In terms of performance, for the quarter the portfolio gained 4.9% which was similar to its blended benchmark which gained 5.1%. However, on a plan year basis, the portfolio returned 26.0% which was 2.9% better than the benchmark. Mr. Rowlins noted that the plan year return numbers were the most important because those are used by the plan actuary in performing the valuation. He felt that due to the strong investment returns on June 30 the Plan's funded ratio should increase significantly.

Focusing on plan year returns, fixed income returned 2.4% versus the benchmark return of .9%. Strong investment performers were Fidelity Total Bond Fund at 3.3%; PGIM Total Return Bond Fund at 2.7%; and JP Morgan Strategic Income Opportunities Fund at 2.6%.

Domestic equities returned 47.2% for the plan year. All funds in this asset class had strong performances. The Vanguard Explorer Value Fund had the best performance, returning 63.5% for the year. Overall, the equity portfolio outperformed the Russell 3000 index 47.2% versus 44.2%.

The international equity sleeve returned 41.3% for the plan year versus 35.7% for the benchmark. The American Funds EuroPacific Growth Fund at 40.1% and the Aberdeen Emerging Markets Fund at 49.4% drove performance.

The Barings Core Property Fund LP which represents the real estate class returned 3.6% for the plan year versus 7.1% for the NCREIF Fund Index. Mr. Rowlins noted that although the fund did not perform well over the plan year, it was a solid fund with good quality holdings. One of the "drags" on real estate investments at this time is the unknown impact the pandemic might have on office property. As more workers work from home, there is an expectation that office property will suffer in value and income.

During July of 2021, the investment portfolio continued to have good results with a return of .6%. Fixed income and domestic equities had positive results for the month returning .08% and 1.7% respectively. International equities were down 1.1% for the months with emerging markets experiencing a 5.0% decline.

Mr. Rowlins also pointed out that currently fees for investments stood at 50 basis points which he felt was reasonable. Part of the reason for the favorable fees was the portfolio's exposure to passive funds, but also due to Fiducient's focus on obtaining the best pricing for their clients.

There being no further business, Mr. Brochu made a motion to adjourn the meeting. The motion was seconded by Mr. Ziebka and approved. The meeting adjourned at 5:24 p.m.

Respectfully submitted,

Joseph Swetcky, Jr.
Director of Finance