

**MINUTES OF THE TOWN OF FARMINGTON RETIREMENT BOARD MEETING
HELD ON MARCH 7, 2022**

PRESENT:

Board Members

Keith Vibert
Christopher Jesudowich
Steve Egan
Kyle Cunningham
Geoffrey Porter
Joan Valenti
Vic Michaud

Other:

Christopher Rowllins
Joseph Swetcky
Jenn Castelhano

CALL TO ORDER

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

PUBLIC COMMENTS

There were no members of the public present.

INTRODUCTION OF MEMBERS AND STAFF

Since the last meeting of the Board was in August of 2021 and since that time new members had been appointed to the Board, Mr. Vibert requested that each person present introduce themselves.

REVIEW AND ACTION ON THE MINUTES OF THE MEETING OF AUGUST 25, 2021

Ms. Valenti moved to approve the minutes of the Retirement Board meeting of August 25, 2021. Mr. Egan seconded the motion, and the minutes were approved as presented.

REVIEW OF THE JULY 1, 2021, ACTUARIAL VALUATION REPORT

Ms. Castelhano presented the results of the July 1, 2021, actuarial valuation to the Retirement Board. She noted that as of that date there were 250 active participants, 312 members in pay status and 168 terminated members. The average age of the active members was 48.4 years, and the average length of service was 13.1 years. For members in pay status, there were 299 service members and thirteen beneficiaries receiving payments. The average age of the service members was 70.9 years, and the average annual benefit was \$28,803.

On a market value basis, the Plan's investments returned 26.43% during the period July 1, 2020, to June 30, 2021. This was significantly higher than the returns from the previous three years. The market value of the Plan's assets was \$111.1 million but because investment gains and losses are smoothed over five years for actuarial purposes, the actuarial value of the Plan's assets was \$100.3 million.

Regarding the interest rate assumption based on the Plan's current asset allocation and using Milliman's Capital Market Assumptions, the expected long-term annualized median return for the portfolio was 6.5%. However, for the purposes of the valuation an assumed rate of return of 6.75% was used. The 6.75% rate of return was .125% lower than the rate used for the July 1, 2020, valuation.

The unfunded accrued liability increased to \$46.7 million, a \$1.4 million increase. This slight increase was due to the Plan's strong investment performance. The Plan's funded ratio (accrued liability versus

actuarial value of assets) stood at 68.2%. Based on the reduction in the interest rate assumption and the slight increase in the unfunded accrued liability, the actuarially determined contribution for Plan Year 2022-2023 is \$4,879,750.

The Board members discussed the interest rate assumption and their desire to eventually reduce it to 6.5%. Mr. Swetcky informed the Board that in the budget that the town council would be considering for FY2022/2023 the pension contribution was based on an assumed rate of return of 6.75% and that each additional eighth of a percent reduction would require the pension contribution to be increased by \$171,000.

INVESTMENT PERFORMANCE REVIEW QUARTER ENDED DECEMBER 31, 2021

Mr. Rowlins began his presentation by continuing the discussion on the assumed rate of return. He noted that using a 20-year outlook that is annually performed by his firm, based on the current asset allocation, the Plan's investments were projected to return 6.6% annually. He also indicated that the current asset allocation was within the allowable range stated in the investment policy statement.

For the quarter ended December 31, 2021, the market value of plan assets stood at \$115,521,804 for an increase of 3.5% since July 1, 2021. For the calendar year the investments returned 11.7% which was slightly better than the blended benchmark which returned 10.7%. By asset class, from July to December.

Fixed Income returned 0.1% versus its benchmark which returned -0.7%

Domestic Equity returned 9.5% versus its benchmark which returned 9.2%

International Equity returned -2.4% versus its benchmark which returned -1.2%

Real Estate returned 13.35 versus its benchmark which returned 14.6%.

Mr. Rowlins mentioned that the Eaton Vance Emerging Markets Debt Opportunities fund was placed on Fiducient's watch list in October of 2021 due to management changes. Mr. Rowlins was recommending that the Board liquidate the Plan's holdings in this fund. He recommended that 50% of the holdings go to the JP Morgan Strategic Income Opportunities fund and that the remaining 50% be divided among the Fidelity Total Bond Fund, the Metropolitan West Total Return Bond Fund, and the PGIM Total Return Bond Fund. After a brief discussion, Ms. Valenti made a motion to approve the recommended changes. The motion was seconded by Mr. Egan and approved unanimously.

Mr. Rowlins concluded his presentation by noting that the estimated weighted average investment management fee on December 31, 2021, was .51%. This number was projected to decrease with the liquidation of the Eaton Vance Emerging Markets Debt Opportunities Fund and the movement of the proceeds to existing funds in the portfolio.

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 5:24 p.m.

Respectfully submitted,

Joseph Swetcky, Jr.
Director of Finance

Approved by the Farmington Retirement Board on June 2, 2022.

