CITY OF MIDDLETOWN
MINUTES OF THE RETIREMENT BOARD
Tuesday, February 18, 2020 at 9:00 am

The Regular Meeting of the Retirement Board of the City of Middletown was held in room 208 of the Municipal Building

Board Members Present: Steve Gomes, Carl Erlacher, John Milardo, Sandy Pasculano, Vinny Loffredo, Mayor Florsheim
Board Members Absent: Linda Salafia, Joe Serra
City Employees/Public/Others Present: Diana Doyle, Gerry Goldberg (GYL), Michael Lepore (GYL), Michael Agogliati (Local 1073), Michael Carta (Local 1073), David Ribnicky (Local 1073), Kevin Starbird (Local 1073); Linda Reed (UPSEU)

• Meeting Called to Order at approximately 9:00 am

• Public Comments on the Agenda
  o Kevin Starbird (Local 1073) thanked the Board for their responsibility as fiduciaries of Pension Plan; asked for clarification of comments made at November 2019 meeting regarding Fire being removed from Pension System
  o Councilman Loffredo explained the context of the comments and agreed to meet with Local 1073 Representatives to further discuss

• Approval of November 25, 2019 Minutes
  • Sandy motioned to approve and was seconded by John
  • All in favor

• GYL Review
  o The Pension Fund value at the end of the 4th quarter was $456,174,522; the return for 2019 was 22.5%, outperforming the benchmark; individual investments showed double digit returns in 2019
  
  o Michael reviewed the performance; noted that Invesco Oppenheimer Developing Markets was top performer of 4th quarter and a top performer of 2019; strength came from the manager avoiding commodity-centric investments (that can be volatile); investment driven by consumer economic activity – focusing on consumer goods and financial & healthcare systems (wealthier population in emerging economies has demand for goods & services)
  o Noted REITS performance was above benchmark with 31.5% return for 2019; reminded Board that active strategy, rather than index in real estate space, was implemented to avoid underperforming real estate investments
o Fixed Income return for 2019 was above benchmark; stated the importance of taking a long-term view with Fixed Income, due to the difficulty of predicting interest rates in the short-term

o GYL advised a $10mm rebalance, taking (some) gains from Large Cap Domestic Equity & REIT exposure, investing into Fixed Income, restoring the 35.5% target

o Discussion regarding the amount of the recommended rebalance; Gerry explained that the Fund is not quite at a 5% rebuttable presumption to require full rebalance; $10mm rebalance follows historically conservative orientation of Fund investment strategy
  
  • John motioned to rebalance $10mm, as recommended by GYL, and was seconded by Steve
  • All in favor

o Discussion regarding the Library’s pension rights; question of why Library is not factored out like General Government, Police, and Fire; Carl stated that if a contribution is needed for the General Government, their inclusion (for the Library) would be reviewed

o The OPEB Trust value at the end of the 4th quarter was $17,480,257; the return for 2019 was 20.75%

o Michael reminded Board that Transamerica (value-oriented) is currently on watch list; performance has improved and is reviewed by GYL regularly; concluded that the strategy is currently out-of-favor where the market is; because of this, it’s complemented with Lazard (growth-oriented) and Index funds

o Board was advised that Fixed Income separate account strategies (used in Pension Fund) not available because of small investment; mutual funds utilized in place of fixed income; Mainstay High Yield Bond (junk bond index) meeting expectations; manager on conservative side of lower quality bond portfolio; risk-return continuum performance is consistent with expectations; JP Morgan Core Plus Bond (investment grade high yield bonds) meeting expectations

o GYL does not recommend a rebalance of OPEB Trust

o Discussion regarding the annual contribution to OPEB; currently “pay-as-you-go”; reflected in Health Benefits budget

o Michael distributed Risk Profile Questionnaire; GYL will use as tool for annual Asset Allocation Study; study to be updated by end of year
• Reports: (informational)
  o Actuarial Valuation Report
  o Treasurer’s Report
  o Pension Management Fee Report

• Carl discussed Actuary Report; noted that a new mortality table is used in Actuary Assumptions

• Applications for Membership
  Ben Florsheim 11/12/19 Mayor
  Michelle Hansen 11/4/19 Health/466
  Sarah Hillman 10/10/20 Police/Police
  Nicholas Northcutt 2/3/20 Fire/Fire
  Barbara K. Peterson 11/12/19 Mayor’s Office/Non-barg
  Daniel T Pitsurenko 12/16/19 Water & Sewer/466
  Stephen Randolph 12/16/19 Library/Library
  Jakub T Rzepecki 2/3/20 Fire/Fire
  O’Brien Devaun Sinclair 11/15/19 Police/Police
  Theresa Spalletta 1/6/20 Water & Sewer/UPSEU
  Philip Thomas 11/1/19 Police/Police
  Catherine Peters Tsahalis 2/10/20 Library/Library
  Shannon L Wild 12/30/19 Library/Library
  Paige Wade-Willoughby 11/15/19 Police/Police
  Ayanna Michelle Wright 11/4/19 Library/Library

• Requests to Retire/Collect/Vest
  Geoffrey Borent 26 yrs Fire/Fire
  Christine Bourne 22 yrs BOE/466
  Mark Tine 28 yrs Fire/Fire

• Refund/Rollover of Contribution
  Naveen Macherla
  Sara Mendillo

• Deceased Pensioners
  Angela DiMauro (surviving spouse)
  Carmelina DiMauro (surviving spouse)
  Jane Pillarella
  Kathleen Tarpey
  Myron Thompson (surviving spouse)

• Adjournment of Meeting
  • John motioned to adjourn and was seconded by Carl
  • All in favor

Respectfully submitted: Carl Erlacher