The meeting of the Retirement Board was called to order at 8:00 A.M.

In attendance were:

Members: Joseph Pellegrino, Chairman
         Kevin Coyner
         Andrew Greco
         Peter Mynarski
         Mike Wacek

Staff: Ken Berkson, Retirement Board Administrator
      Daniela Barcello, Retirement Coordinator
      Nataliya Yemets, Treasurer

BET: Andy Duus, Miriam Kreuzer, Beth Krumeich, Michael Mason,
     Leslie Moriarty, Leslie Tarkington, David Weisbrod

Neuberger Berman: Megan Doyle, Vice President, Institutional Client Advisor
                 Erik Knutzen, Managing Director, Multi-Asset Class Chief
                 Investment Officer
                 Michael Savinelli, Vice President Institutional Client Advisor
                 Andrew White, Vice President, Investment Strategist Group

Boomershine: Greg Stump, Actuary

RTM: Scott Kalb, (D-7), Public Works Cmte; Danyal Ozizmir, (D-5),
     BOC and LCC; Bruce Pflug, (D-5), Finance Cmte

Chairman Pellegrino opened the Board Meeting with thanks to Board Members, staff, Neuberger Berman and Boomershine Consulting for their efforts and energy dedicated to preparing for the additional Meeting. He suggested that he is seeking full participation in the discussions so as to reach a consensus on the Agenda’s topics.

**NEW BUSINESS**

N/A
OLD BUSINESS

2020 Actuarial Valuation Plan Assumptions – Discount Rate
Board members asked Mr. Knutzen of Neuberger Berman (NB) to comment on the proposed discount rate and anticipated returns in light of the market volatility and downward yield curve. Mr. Knutzen indicated a greater comfort level with managing to the Portfolio objectives with reducing the Discount Rate to 6.25%. Mr. Knutzen supported his remarks stating it was consistent with other Public and Private Portfolio’s and would signal Town governance of the upcoming budgetary issue in the current economic environment. Mr. Stump of Boomershine Consulting, also supported reducing the Discount Rate, stating that there are many “wild-cards” that may arise. It was discussed that the Town contribution would increase by a total of $3-5M with a potential decrease in the Discount Rate to 6.25% accounting for $2.6M of that, and the remainder being due to other factors (including low investment returns in fiscal year 2020 and the outcome of the experience study that will be conducted this year). Mr. Wacek noted that last year’s valuation report showed that the Town contribution was expected to increase this year by $1M even in the absence of any other changes. Mr. Pellegrino stated that a reduction of the Discount Rate to 6.25% would be a good step to keeping the Plan healthy and avoiding playing catch-up leaving an incredible burden on future generations.

There were also comments from BET members, as to whether the Board’s responsibility is just to the Plan or if it should also be to the Town’s budget. They also made a request for the Plan’s Discount Rate to be benchmarked with other CT triple-A rated communities. Mr. Stump will follow-up on a peer group comparison study.

Upon a motion by Mr. Coyner, seconded by Mr. Wacek, to change the Discount Rate to 6.25% for this year (FY21) and 6.0% for next year (FY22), a motion was made by Mr. Pellegrino, seconded by Mr. Wacek to amend the motion to change the Discount Rate to 6.25% for this year (FY21) with the intention to review a change to 6.0% for next year (FY22). The Board voted 3-1-1 to amend the motion to change the Discount Rate. Motion carried. (Opposed: Coyner; Abstain: Mynarski)

Mr. Pellegrino made a motion to approve the amended motion, seconded by Mr. Wacek, to change the Discount Rate to 6.25% for this year (FY21) with the intention to review a change to 6.0% for the next year (FY22). The Board voted 3-1-1 to accept the motion. Motion carried. (Opposed: Mynarski; Abstain: Coyner)

Investment Policy Statement
Asset Allocation and Portfolio Risk Constraints (Appendix 1)

Mr. Savinelli asked Mr. Knutzen to present NB’s three new Strategic Asset Allocation models (SAA) that would reflect a reassessment of SAA and a boarder review of the Portfolio.

Model #1 Current SAA - The Portfolio would maintain its current framework with diversifications in asset classes.

Model #2 Modified SAA - The structure of the Portfolio would be addressed with defensive tactics to lower costs, decrease volatility and downside risk.
Model #3 – Regime-based - This Portfolio is designed to balance defensive with growth assets for a more active tactical shift that would diversify and add risk within the Investment Policy parameters.

In the discussion that followed, the Board and attendees offered their perspectives. NB was asked to prepare a comparison of the Current model with the Regime-based model, to compare details of Portfolio investments and liquidity for the next meeting. Historic modeling will also be prepared.

Investment Policy Statement (other than Appendix 1)
Due to time constraints, this topic was postponed until the next meeting.

Board Meeting Calendar for CY2021
Due to time constraints, this topic was postponed until the next meeting.

EXECUTIVE SESSION
N/A

CHAIRMAN’S REMARKS

Mr. Pellegrino thanked the Board for their discussion and consensus on the 6.25% Discount Rate. The Agenda for September will include an equally thorough “deep-dive” on the modeling of the Plan Portfolio.

ADJOURNMENT

Upon a motion by Mr. Coyner, seconded by Mr. Wacek, the Board voted 5-0-0 to adjourn at 10:45 A.M.

Respectfully submitted,

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Catherine Sidor, Recording Secretary

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Joseph Pellegrino, Chairman

Next Meetings

Regular Meeting Friday, September 25, 2020 (Virtual)
Regular Meeting Thursday, October 29, 2020 (Virtual)
Regular Meeting Thursday, December 10, 2020 (Virtual)