

**TOWN OF SOUTH WINDSOR
PENSION COMMITTEE
MINUTES
August 17, 2020**

1. Call Meeting to Order

The virtual meeting was called to order at 8:37 a.m.

Members Present: Chris Chemerka, Board of Education; Scott Custer, Chief of Police; Audrey Delnicki, Town Council; MJ Hockenberry, Town Council; Patricia Lewis, Assistant Director of Finance; Michael Maniscalco, Town Manager; James O'Brien, Board of Education; Andrew Paterna, Mayor; Patricia Perry, Director of Finance

Members Absent: None

Also Present: Anthony Tranghese, Fiduciary Investment Advisors, LLC
Richard Carey, Fiduciary Investment Advisors, LLC

2. Approval of Minutes

Mayor Andrew Paterna moved to approve the minutes of April 29, 2020. Councilor Audrey Delnicki seconded, and the motion was approved unanimously.

3. Discussion Items

A. Update – Fiduciary Investment Advisors, LLC (FIA)

Mr. Anthony Tranghese of Fiduciary Investment Advisors (FIA) gave the Quarterly Investment Review (**Attachment A**) for the second quarter of 2020. Also present was Mr. Richard Carey of FIA. Mr. Tranghese briefly reviewed the Investment Policy Statement. There are no changes to be made to the statement. On April 9, 2020 the Federal Reserve established the Municipal Liquidity Facility to assist state and local governments with cash flow pressures due to COVID-19 expenditures. It has seen low usage, as the market has largely recovered. The Wells Fargo and Principal custody transition is underway. Service continuity packets and consent letters have been sent out to clients. The transition will be discussed further over the next couple of quarters, as system integration is expected to be complete by June 2021.

Mr. Tranghese reported on economic and market conditions. Markets have rebounded considerably since the first quarter of 2020. Growth has continued to outperform value, largely due to the success of large technology names. Bonds have continued to perform well, as rates are very low. When rates are this low, the forecast for bond returns is not as robust. However, FIA is of the opinion that bonds will continue to serve the role of anchoring the portfolio.

Fixed income market yields have fallen to all-time lows. The forecast for bond returns is not as robust when rates are low. This is the safety portion of the portfolio, so any reduction there will be difficult to replace. If an attempt is made to improve the returns on this section of the portfolio, it will have to come with an increase in risk.

**TOWN OF SOUTH WINDSOR
PENSION COMMITTEE
MINUTES
August 17, 2020**

Mr. Tranghese reported on Asset Allocation. Higher returns have offset the challenges of the first quarter. Year to date the portfolios are at a modestly positive return. Two of the managers have remained on watch: Glendmede Small Cap Equity and Vanguard International Explorer.

Councilor Delnicki asked Mr. Tranghese if he expects a change in outlook based on the positive returns in the GDP that have been predicted for the end of the third quarter. Mr. Tranghese said that a lot could change before the end of the third quarter. The COVID-19 crisis is still underway, and there is also some uncertainty related to the national election that could introduce some market volatility.

Most portfolio managers performed well in the second quarter and helped offset the underperformance of the first quarter. One of the managers on watch is Glenmeade, a small-cap US manager, due to underperformance. No action is recommended at this time, and FIA will continue to monitor. Vanguard International Explorer is also on watch due to underperformance, but its performance has been improving.

Councilor Delnicki asked if this was the first quarter that these managers have been on a watch list. Mr. Tranghese said that they are coming up on their fourth quarter on the watch list, at which point a recommendation will be made by FIA as to how to proceed.

Councilor Hockenberry asked what the benefit would be of letting go of an underperforming manager, as stock markets tend to look toward the long haul. Mr. Tranghese said that these managers have been placed on watch when they experience underperformance that is below expectations. The challenge is to identify if there is a reason to wait for a rebound, or if there has been a change that would indicate the need to let go. Councilor Hockenberry asked if the watch status for these two managers is due to COVID or management issues. Mr. Tranghese said that they have been on watch since before COVID, as they have been underperforming for some time. The probation period of being on watch allows FIA to determine if the managers can rebound or if they should be dropped from the portfolio.

Councilor Hockenberry asked if outperformance was also a factor for placing a manager on watch. Mr. Tranghese confirmed that it is a factor if the outperformance takes place in a market environment that does not align. The manager would then be placed on watch to determine how the outperformance is being accomplished.

Mr. Tranghese presented an updated snapshot of the three portfolios, current as of 8/13/20. The Town plan was valued at \$33.8 million. This increase is partially due to a contribution of \$2 million that was made by the Town. The BOE is at \$15.6 million. The OPEB is at \$3.6 million, due to a contribution of \$300,000. Minus the cash flows, all three of those plans have generated a return of about 6% in the last 6 weeks.

Further detail and illustration of this report can be found in the Second Quarter 2020 Quarterly Investment Review, on file in the Town Clerk's Office.

4. Miscellaneous

None.

**TOWN OF SOUTH WINDSOR
PENSION COMMITTEE
MINUTES
August 17, 2020**

5. Schedule the Next Meeting

The next meeting of the Pension Committee will be scheduled for November 16, 2020.

6. Adjournment

Councilor Hockenberry made the motion to adjourn. Councilor Delnicki seconded, and the motion was approved unanimously.

Respectfully submitted,

Samara Haddock
Recording Secretary

Attachments:

- A) Quarterly Investment Review – Second Quarter 2020, prepared by Fiduciary Investment Advisors, LLC. May be reviewed upon request in the Town Clerk's Office.