

City of Middletown
Minutes of the Retirement Board
Monday, May 16th 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: John Milardo, Jim Reynolds, Carl Erlacher, Steve Gomes, Mary Bartolotta (arrived at 9:15), Joe Serra (arrived at 9:20)

Board Members Absent: Mayor Drew, Linda Salafia

City Employees/Public/Others Present: Diana Doyle, Tom Sebold, Hope Kasper, Larry Botting, Ernie Cantwell (Local 1073 IAFF), Kevin Starbird (Local 1073 IAFF), Mike Lepore (GYL)

- Meeting Called to Order at approximately 9:00 am

- Public Comments on the Agenda
 - Retirees Hope Kasper, Tom Sebold and Larry Botting expressed their support for Item 6 on the agenda "Discussion of and request for action of retiree annual Cost of Living Adjustment"

- Approval of Minutes from February 8, 2016 meeting
 - Mary motioned to approve the minutes and was simultaneously seconded by Carl & Steve
 - All in favor

- Review of Investments - Goldberg, Yolles and Lepore (GYL)
 - Mike reviewed Plan performance for first quarter - value at March 31st was \$362,230,836
 - Discussion noted that CS McKee and New Amsterdam had weak quarter and that CS McKee has consistently dragged behind benchmark; reminded Board that CS McKee had been put on a "watch list" and the mandate was reduced at the February 8, 2016 meeting; recommended that Board terminate CS McKee entirely and move assets into Vanguard S&P 500 Index, making it the sole holding for large cap space; GYL will search for and recommend replacement

 - Mike presented two Action Items for Board to consider:
 - Item 1: approval from Board, for elimination of CS McKee Large Cap Core mandate and migration of assets into Vanguard S&P 500 Index
 - Item 2: approval from Board, for Ryan Labs to include BBB bonds in Micro Investment Policy Statement at a limit of 40%; GYL recommends initial cap of 30%
 - note: Mike stated that portfolio average credit quality will remain at A or better

 - Mike stated that a more relevant benchmark has been established for the Ryan Labs Fixed Income Asset Group as a result of the recent inclusion of corporate bonds to the portfolio; the primary reason for the addition is Board's continued desire to immunize portion of liabilities; decreasing interest rates have shrunk opportunity to immunize; (Ryan Labs) Investment Manager believes that inclusion of corporate bonds, with treasuries, will add return with slight increase quotient of risk
 - Discussion regarding addition of BBB bonds; Mike assured Board this is potential for additional return and BBB are investment grade bonds and represent significant portion of investor grade bond market as AAA & AA companies are decreasing; and, elimination/exclusion of BBB bonds exposes Fund to diversification risk
 - Carl noted that Board has been conservative with investment, suggested capping BBB at 20-25%

- Carl motioned to accept Action Item 1 (as stated by Mike) with elimination of CS McKee Large Cap Core mandate with migration of assets into Vanguard S&P 500 Index and was seconded, simultaneously, by Mary and Steve
- All in favor
 - note: termination letter to CS McKee included in minutes as an attachment
- Discussion regarding BBB cap continued; Carl requested an update of results of 20% BBB inclusion for Board at next regular meeting
- Mary motioned (to accept Action Item 2, as stated by Mike) to add BBB exposure to portfolio with a cap of 20% with results presented by GYL at next meeting and was seconded by Steve
- All in favor
 - note: Exhibit A, Investment Guidelines as of 2/29/16 to Ryan Labs included in minutes as an attachment
- Mike reviewed OPEB Trust – value at March 31st was \$9,567,581
- Response to Retirement Trust questions presented by Board Member Milardo
 - Carl stated that he answered the questions and OGC reviewed; no action needed
 - note: answered questions to be included with meeting minutes as an attachment and were distributed in agenda packets at meeting
- Discussion of and request for action of retiree annual Cost of Living Adjustment
 - Discussion of which CPI model is used by City - CPIU (Urban)
 - Diana suggested that Board ask Actuary to give recommendation of better benchmark for COLAs than what City has been using in light of changes to CPIU and what it captures
 - John suggested that the average of annual employees COLA increases (non-bargaining, exempt, all unions) be given to retirees; notes that City asks retirees to pay same insurance premiums as employees, without benefit of receiving COLA increases
 - John asked that Actuary evaluate his suggestion of averaging collective COLA increases of all City employees
 - John motioned to seek information – regarding the retiree COLA increases - and recommendation from Actuary and reconvene for a Special Meeting and was seconded by Joe
 - All in favor
- Hooker & Holcomb Retirement System Valuation Report (*informational*)
- Treasurer’s Report (*informational*)
- Pension Quarterly Investment Report (*informational*)

<u>Applications for Membership</u>	<u>Start Date</u>	<u>Union</u>	<u>Department</u>
Travis Downing	2/8/16	Fire	Fire
Michael Eylward, Jr.	2/8/16	Fire	Fire
Gabrielle Formato	4/26/16	466	Assessor
Michael Fraenza	2/8/16	Fire	Fire
Tiffany Neuendorf	2/8/16	Fire	Fire

Elaine Russo	4/11/16	466	BOE
John O'Donovan	2/8/16	Fire	Fire
Beau Sienkiewicz	2/8/16	Fire	Fire
Margo Ward	2/8/16	Fire	Fire

- Requests to Retire/Collect Years of Svc Department/Union (*informational*)

Susan Fielding (vested)	11 yrs	Library/466
Manfred Rehm	12 yrs	Health/466
Arthur Meyers	19 yrs	Library/UPSEU
Joseph Monarca	15 yrs	Central Comm/466
Kathleen Tarpey	19 yrs	BOE/466
Paula Tranchina (vested)	13 yrs	PCD/466

- Refund Requests/Adjustments Department/Union (*informational*)

Jason Neeley	Library
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- Adjournment of Meeting
 - John motioned to adjourn and was seconded by Steve
 - All in favor

Respectfully submitted:

Carl R. Erlacher, Finance Director
Track 1002-1005

