Pension Board Minutes – May 13, 2021

Attending: Alderman, Sharon Davis, Carrie Savage, and Michael Talbott; School Commissioners, Charlene Seward, Cathy Solsaa and Stephanie Stoodley: Chair, Mary Markowski

Absent: Alderman, Tom Depoy and Bill Gillam; School Commissioners, Hurley Cavacas.

Others Attending: Alderman, Devon Neary, Matt Whitcomb, Thomas Franco and Mike Doenges; Ted Plemenos, Rutland Public Schools; Peter Amons and Lazaro Guzman, Prudential Retirement Services.

The meeting was called to order at 6:00pm. The meeting was held via Zoom.

The first order of Business was review and approval of the minutes of May 6, 2020 and June 2, 2020. Sharon Davis moved to approve the minutes, the motion seconded, motion passed.

The Chair introduced Lazaro Guzman from Prudential Retirement. Lazaro explained that Prudential acts as the plan fiduciary. This includes managing the plan asset allocations and managing individual funds by closely monitoring funds and vetting individual fund managers.

Lazaro provided the economic outlook noting that for the next 4 to 6 quarters the economy is set for pretty strong growth, between 6 and 8% for the remainder of calendar year 2021; and 4 to 5% in the beginning of calendar year 2022. COVID has had a significant impact on the economy and introduction of the vaccines should provide for growth as the economy reopens. Fiscal stimulus has also provided for economic growth. Stimulus has been keeping the economy afloat and stabilizing the market.

The Prudential financial performance report of March 31, 2021 was distributed to the Committee members prior to the meeting.

Before presenting the plan asset allocation review, Lazaro, explained that the twelve months included in the March 31, 2021 report covered the period March 2020 to March 2021. He noted that last year March 2020 was at one of the lowest points in the market due to the pandemic. The Equity style returns on page 24 were reviewed in detail noting the shift form Growth to Value investing.

Lazaro presented (page 3) the net performance of the City plan noting the assets totaled $109.3million at the end of the quarter. He noted that the current value of assets was $110.1million, slightly higher than the March quarter end. The returns have been really solid with the one year at a positive 35.96% return. The last 3 years has been averaging 10.24%, five years has been 10.27% and the last 10 years has been about 8.45%.

The 10 year return is more in line with the actuarial assumed valuation return of 7.5%. The outlook for the next 10 years is not as strong and Prudential has made adjustments to the Capital market assumptions by downward adjustments of .25 to .50%. This is largely due to deficit concerns and potential tax increases. These factors impact the market expectations. Peter Amons asked about the current plan to move from 7.5% to 7.% discount rated by 1% per year and inquired whether this reduction is adequate. Lazaro clarified that the he was speaking to their approach to the capital markets. Lazaro noted that the plan to lower the discount rate is consistent with what he has seen with other client's noting.

The plan target allocation is 60% equity to 40% fixed income. This allocation is reasonable given the expected return and risk level in the portfolio. Lazaro noted that steps are being taken to gradually rebalance the portfolio from an overweight in the equity market. The next steps to rebalance the portfolio were outlined on page 3 of the presentation.

The presentation continued with a detail review of the plan summary including review of the individual funds held. Lazaro noted that funds are compared to their individual benchmarks and individual peer groups. Lazaro noted that 4 of the funds are not meeting their criteria; these funds represent 20% of the total portfolio. He noted that 80% of the portfolio is meeting the criteria and focused his presentation on the 4 funds that are not meeting criteria. The detailed fund review and analysis is presented on page 32 and 33.

Charlene inquired about the international funds and wondered about the decision to continue to hold those positions. Lazaro noted that they maintain a diversified portfolio and there have been periods where international markets outperform the US markets. There is value in retaining the international exposure. Mike Doenges asked whether the 4 underperforming funds were expected to rebound with market changes. Lazaro noted that these funds should continue to do better if value investing continues to do better than growth as noted in the last quarter. The portfolio is a good mix of growth funds, value funds and blended funds.

The Board thanked Lazaro for the detailed presentation. Lazaro signed off from the meeting at 6:57 pm.

Under other business, the Chair noted that she had received 2 separate requests for disability under the pension document. Information regarding the process will be forwarded and individual hearings will be required to review and the disability requests.

The meeting adjourned at 7:04pm.

Respectfully submitted,

Mary A. Markowski