# TOWN OF LEDYARD

## Retirement Board

## Meeting Minutes

741 Colonel Ledyard Highway
Ledyard, Connecticut 06339

Chairman
John Rodolico

**Regular Meeting**

**Tuesday, February 20, 2024** **10:00 AM** **Council Chambers - Hybrid Format**

## I. CALL TO ORDER

Chairman Rodolico called the meeting to order at 10:00 a.m. He introduced the newest member to the Retirement Board; Minna DeGaetano.

Ms. DeGaetano was appointed as a voting member for this meeting.

## II. ROLL CALL

**Present** Board Member Sharon Wadecki
Chairman John Rodolico
Board Member Daniel Panosky
Alternate Member Minna DeGaetano

**Excused** Board Member William Thorne
Board Member Roger Codding

Also in attendance:
Naomi Rodriguez, Town Councilor

Staff Present:
Mayor Fred Allyn III
Matt Bonin, Finance Director
Christina Hostetler, Town Hall Assistant

Staff Excused:
Marisa Iannella Rodriguez, Human Resource Director
Ian Stammel, Assistant Finance Director

## III. PRESENTATIONS

**1.** Chris Rowlings Fiducient Advisors - Fourth Quarter Investment Review

Chris Rowlins, Fiducient Advisors presented the Fourth Quarter Investment Review for the Town Retirement Plan.

Mr. Rowlins started the meeting by stating that the fourth quarter was very solid with the portfolio returning about 9%. Inflation has come down rather meaningfully to 3.5% from 18 months ago when the rate was at 9%. The current inflation rate is not too off from the 2% target.

With the restoration of higher yields, the new environment is much more favorable to forward looking thinking around portfolio outcome. The balance that fixed income provides in a portfolio setting has been restored.

Fixed income - It was a very strong quarter for fixed income as interest rates continued to lower. The Bloomberg U.S. Aggregate was up 6.8% and there was a double-digit gain for long duration.

Global Market - U.S. small cap was a standout in the fourth quarter. Technologies were up and energy and utilities were down. Big Tech companies associated with AI were up 100% in 2023. NASDAQ, which is technology heavy, was up 44% in the fourth quarter. A milder winter in Europe benefited the impact of energy costs despite the war in Ukraine. Emerging markets were up 8% for the quarter and almost 10% on the YTD basis. China has been holding back emerging markets due to struggles with high debt and sluggish spending out of Covid-19. Other areas of emerging markets such as India, Mexico and Latin America fared well. Mexico is now the second largest trading partner of the U.S.

Real Assets - REITs were one of the top performers in the quarter. Commodities were weak and one of the few classes in the negative category. There was a modest return for hedge funds.

Portfolio performance and considerations: The Town is still using a 60/40 portfolio, 60 dedicated to equities and 40 to fixed income. A conservative 6.25% discount rate still applies compared to the average retirement plan in Connecticut which hovers around 6.75%. Mr. Rowlins added that the Town of Ledyard is well above its peers financially and in a funded status perspective.

Within the fixed income segment there are a couple of strategies in place. The Vanguard total bond market index which gets access to the bond market and duration profiles. Met West and Prudential are Core Plus managers which have the ability to invest in non-investment grade bonds, up to certain restrictions. Investments that Core Plus managers can utilize include high yield, commercial mortgage and ABS investors.

Metropolitan West was put on watch status during the third quarter due to some notable announced retirements within the portfolio management team which was somewhat disruptive. FA's concern is around outflows and uncertainty around the organization on a go forward basis. Although Met West had a strong fourth quarter FA recommends eliminating allocations to MetWest and to be more conservative along the lines of the quality of the portfolio with Baryd and Harbor which would also compliment the PGIM core return focus already in place. The overall goal is to be a bit more conservative within the fixed income sleeve. FA does not have any proposed changes to the Domestic equity or International market sleeves at this time.

Investment Results - A 9% return net for the quarter, when monetized the number is approximately 2.4 million and the ending market value is $29.1 million. On a one-year basis the portfolio was up 13.6% net. The short-term equity bucket is designed for benefit payments which is hovering around 5% for money market instruments, which is attractive. Black Rock had both a solid quarter and year. Since the BlackRock strategy was put into the portfolio in 2022 it

has delivered a 2.5% positive vs. the AGG which was down 1.4%. In Domestic Equity Touchtone has delivered very solid results.

Investment Gain/Loss summary - Approximately $500,000 has been taken out for benefit payments. There was also 2.4 million in gains.

Mr. Rowlins shared a trade cash flow worksheet which outlined a move of approximately $3.6 million out of Metropolitan West Total Return Bond Fund Plan and equally into Baird Aggregate Bond Fund and Harbor Core Bond Fund Retirement. He added that FA is making similar recommended approaches to other clients as well, not just Ledyard.

Mr. Rowlins presented a recommendation for increasing the portfolio's allocation to fixed income by 5% over a six-month period. The modeling prepared but FA shows that by increasing fixed income by 5% the return profile will come down by a basis point or two but the risk profile will come down pretty meaningfully which allows more predictability and less volatility.

Actuarial Review - Funded ratios have increased to 88.7%. Mr. Rowlins said most Towns are averaging 72-72% with a higher discount rate. He added that these are good numbers for Ledyard.

Chairman Rodolico clarified that Mr. Rowlins was suggesting moving all Metropolitan West to Baird and Harbor equally and proposed a vote to the Board.

Motion to APPROVE liquidation of Metropolitan West fixed income and reallocation of funds equally to Baird and Harbor per Fiducient Advisors recommendation.

**RESULT:** APPROVED AND SO DECLARED
**MOVER:** John Rodolico
**SECONDER:** Sharon Wadecki

**AYE:** 4 Wadecki Rodolico Panosky DeGaetano

**EXCUSED:** 2 Thorne Codding

Mr. Rowlins reiterated the recommendation to increase fixed allocation by 5% and reduce global equities by 5% over a 6-8 month period, keeping within the target ranges. Charman Rodolico suggested voting for a year period, Ms. Wadecki agreed.

Mr. Rowlins ended the meeting by saying there were two takeaways on Fiducient Advisor's end. He will follow up with Metropolitan West and the 5% strategy, these changes will be reflected in FA's monthly flash reports.

Motion to APPROVE increase of fixed income allocation by 5% over the next year.

**RESULT:** APPROVED AND SO DECLARED
**MOVER:** John Rodolico

**SECONDER:** Sharon Wadecki

**AYE** 4 Wadecki Rodolico Panosky DeGaetano

**EXCUSED** 2 Thorne Codding

## IV. REVIEW AND APPROVAL OF MINUTES

**1.** Motion to APPROVE Special Meeting Minutes from January 23, 2024, as written.

Motion failed due to two abstained votes and two absences. The minutes vote will take place during the Board's next meeting in March.

**RESULT:** MOTION FAILED
**MOVER:** John Rodolico
**SECONDER:** Daniel Panosky

## V. DIRECTOR OF HUMAN RESOURCES UPDATE

**1.** Director of Human Resources update.

No report.

## VI. FINANCE DIRECTOR'S REPORT

**1.** Finance Director’s Report.

No report.

## VII. OLD BUSINESS

**1.** Motion to APPROVE a monthly retirement benefit for Sharon Dutra in the amount of $690.12 in the form of a modified cash refund annuity effective February 1, 2024.

TABLED from January 23, 2024, special meeting.

Chairman Rodolico said this motion was tabled from last month meeting due to calculation questions. He confirmed that the calculations were based on the plan that was effective upon termination.

**RESULT:** APPROVED AND SO DECLARED
**MOVER:** John Rodolico
**SECONDER:** Sharon Wadecki

**AYE** 4 Wadecki Rodolico Panosky DeGaetano

**EXCUSED** 2 Thorne Codding

**2.** Discussion on a review of applicable labor contracts and retirement documents for Town of Ledyard employee groups with applicability to retirement eligibility and benefits continued.

Review of Retirement Plan amendments, see attachments.

Chairman Rodolico said this is a work in progress and moved this discussion to the Board's

March meeting due to Mr. Thorne's absence.

**RESULT:** NO ACTION

**3.** Any Other Old Business to come before the Board.

None.

## VIII. NEW BUSINESS

**1.** Motion to APPROVE a monthly retirement benefit for Jean Dutton in the amount of $1568.97 in the form of a modified cash refund annuity effective April 1, 2024.

Chairman Rodolico asked if Ms. Dutton was working in the nursing department. Mayor Fred Allyn III confirmed that she was. He added that she has been employed with the Town of Ledyard for approximately 27 years.

**RESULT:** APPROVED AND SO DECLARED
**MOVER:** John Rodolico
**SECONDER:** Sharon Wadecki

**AYE** 4 Wadecki Rodolico Panosky DeGaetano

**EXCUSED** 2 Thorne Codding

**2.** Any other New Business to come before the Board.

Ms. DeGaetano asked if the Board always pays the contributions in one lump sum, and is it a requirement to pay this way? Mr. Bonin said that Town has always paid it in one lump sum. Ms. Wadecki confirmed that payment is made once a year to keep the money in the Town as long as possible. Ms. DeGaetano said generally it's safer to contribute the funds monthly instead of putting everything in at a single point of time when the market could be up or down at that moment. Mr. Panosky suggested asking Mr. Rowlins his opinion. Mr. Bonin pointed out that by holding onto the funds the Town is earning 5%, which is helpful. On a year where interest rates are lower it would make sense to move the funds sooner but for now the 5% interest is beneficial to the Town.

**RESULT:** DISCUSSED

## IX. ADJOURNMENT

Motion to ADJOURN the Regular Meeting at 10:58 a.m.

**RESULT:** APPROVED AND SO DECLARED
**MOVER:** Sharon Wadecki
**SECONDER:** John Rodolico

**AYE** 4 Wadecki Rodolico Panosky DeGaetano

**EXCUSED** 2 Thorne Codding

DISCLAIMER: Although we try to be timely and accurate these are not official records of the Town.