CITY OF MIDDLETOWN
MINUTES OF THE RETIREMENT BOARD
Regular Meeting
Monday, May 16, 2022 at 9:00 am via WebEx

Board Members Present: Carl Erlacher, Steve Gomes, Sandy Pasculano, Vinny Loffredo, Linda Salafia, John Milardo
Board Members Absent: Mayor Florsheim, Joe Serra
City Employees/Public/Others Present: Diana Doyle, Michael Lepore (GYL), Rob Lessard (Hooker & Holcombe), Steve Lemanski (Hooker & Holcombe); retirees and members of the public

- Meeting Called to Order at approximately 9:10 am
- No Public Comments on the Agenda
- Approval of February 14, 2022 Regular Meeting Minutes
  - John motioned to approve the minutes and was seconded by Linda
  - All in favor
  - Vinny requested that Hooker & Holcombe provide copies of the 2021 (Pension) Valuation Report to the Common Council (provided on 5/20/22)
- Increase of monthly transfer from $1,000,000 to $1,225,000
  - Discussion regarding the increase; Diana explained that the number of retirees has increased and monthly distributions have grown; stating the transfer to the City comes from (Pension Fund) Fixed Assets investments, managed by SLC
    - Linda motioned to increase the monthly transfer in from $1,000,000 to $1,225,000 and was seconded by Vinny
    - All in favor
- GYL Review
  - The Pension Fund value at the end of the 1st quarter was $506,692,079, down 8.18%
    - Michael stated most of underperformance came from International Markets, as well as direct & indirect exposure to Emerging Markets; Michael stated that international markets have been under pressure for a variety of reasons including: Russian invasion of Ukraine, resurgence of Covid in China (lockdown policies contributing to supply chain issues); exposure to Eastern European/Russian consumers
    - Emerging Markets underperformance contributed from exposure to China’s Covid policy & lockdowns weighing on consumer recovery; overweight (holdings) in Russia – which have been marked down to zero (cannot be traded); underlying holdings still have value, but
cannot currently be traded; portion of portfolio has shifted to Latin America toward commodity producing countries

- Positives for emerging markets include: trading at low valuations and continues to be driver of growth around globe; volatility is part of emerging market investing, which was compounded during quarter because of Russia and China; GYL watching closely, but not recommending changes and expects recovery relatively quickly

- Steve asked about growth at a reasonable price; Michael noted that Conning does include growth, core and value names; stated that the recent move in portfolio to Vanguard/JustInvest Large Cap Growth (implemented in March) was to value; portfolio is positioned at growth with a reasonable price

- Cohen & Steers top performer in Equities for year; underperformance in quarter due to underweight to office (holdings) and overweight to data centers

- SLC outperforming benchmark in High Yield assets; has consistently added value to the pension plan with Fixed Income

- The OPEB Trust value at the end of the 1st quarter was $26,388,839, down 6.32%

- Michael reviewed the performance of the Trust noting the move to higher quality tilt with domestic equities - Vanguard/JustInvest All Cap (implemented in March)

- International space shares active and passive strategies; Fixed Income: Mainstay (high yield mutual fund) focused on additional return by purchasing lower credit quality bonds, outperformed benchmark

- GYL not recommending significant changes; asset allocation designed around setting up portfolio to have short term assets v. short term liabilities; allowing long term assets to appreciate over time

- Discussion of updated investment policy statements, from GYL; decision to get legal opinion from OGC to determine the Board’s authorization to approve proposed amendments of statements

- Vinny motioned to table (all) documents to discuss at a Special Meeting, after review of and recommendation from OGC, and was seconded by John
- All in favor
Hooker & Holcombe – approval of retirement plan Experience Study

- Diana clarified that the Board authorized Hooker & Holcombe to perform an Experience Study at the February 2022 meeting; seeking Board approval to spend up to $9900 to perform the study (sample report included in agenda material)
  - Vinny motioned to approve expenditure up to $9900 for Plan Experience Study to be completed by Hooker & Holcombe and was seconded by John
  - All in favor

- Steve Lemanski advised Board that last report was performed in 2015-2016; stated that GFOA best practices states special study be done every 5 yrs; Hooker & Holcombe will review plan actual experience including all assumptions (economic & non-economic); provide recommendations to make changes or not; presentation will be made to Board during summer 2022, with formal report; any changes approved by Board/City will be implemented in annual actuary report

Cost of Living Adjustment (COLA)

- John stated he has been contacted by numerous retirees regarding the annual COLA increase; proposed an annual increase to 5%
- Discussion stated current Ordinance reflects 0-3%, based on March 31st CPIU; discussion of how the COLA percentage is determined and how it is implemented in the Pension Ordinance
  - Linda motioned to send recommendation to Common Council to raise retiree COLA (max) from 3% to 5% and was seconded by John
  - Linda amended her motion to reflect a +2% COLA (increase to 5%) for this year (only) and was seconded by John

- Discussion of Board’s authorization to suggest to Common Council that COLA be increased; suggestion to move request to OGC or Ordinance Review; question about fiscal impact; Steve Lemanski stated that there would be an impact on the fund and that State Statute requires a review & analysis to determine impact on fund, for benefit improvements; suggestion to get detailed financial analysis before moving to Common Council

- Carl suggested that Board authorize Hooker & Holcombe to study the impact of COLA increase; Steve Lemanski stated an analysis of one time increase (ad hoc) and permanent adjustment to COLA would be performed at cost not to exceed $2500
  - Linda accepted the Friendly Amendment to authorize Hooker & Holcombe to perform analysis, not to exceed a cost of $2500, for a one time CPI adjustment and permanent CPI adjustment and was seconded by Vinny
  - All in favor
• Reports: (informational)
  o Treasurer’s Report
    • Carl referenced ending balance on report, supporting the need to increase the
      monthly transfer in from $1,000,000 to $1,225,000
  o Pension Management Fee Report

• Applications for Membership

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<tr>
<th>Name</th>
<th>Start Date</th>
<th>Department/Union</th>
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<tbody>
<tr>
<td>Adam Buglgajewski</td>
<td>02/07/2022</td>
<td>BOE/466</td>
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<td>Fabricia Carvalho</td>
<td>03/28/2022</td>
<td>BOE/466</td>
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<td>Bailey Cook</td>
<td>03/28/2022</td>
<td>Police Officer/P</td>
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<td>David Cyr</td>
<td>03/28/2222</td>
<td>Police Officer/P</td>
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<tr>
<td>Briana Gagnon</td>
<td>02/14/2022</td>
<td>Library/Library</td>
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<td>Cody Harlow</td>
<td>03/28/2022</td>
<td>Police Officer/P</td>
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<td>Thomas Hazel</td>
<td>04/04/2022</td>
<td>Zoning Enforcement/UPSEU</td>
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<td>Carmello Morello</td>
<td>04/11/2022</td>
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<td>Ryan Newton</td>
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<tr>
<td>Jenny Royer</td>
<td>03/28/2022</td>
<td>BOE/466</td>
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• Requests to Retire/Collect/Vest

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<thead>
<tr>
<th>Name</th>
<th>Yrs of Svc</th>
<th>Age</th>
<th>Department/Union</th>
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<tr>
<td>Catherine Ahern</td>
<td>32 yrs</td>
<td>67</td>
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<td>Gary Canzoni</td>
<td>23 yrs</td>
<td>68</td>
<td>BOE/466</td>
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<tr>
<td>Elizabeth Cyranowicz</td>
<td>22 yrs</td>
<td>71</td>
<td>Public Works/466</td>
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<td>Adrienne DeLucca</td>
<td>10 yrs</td>
<td>65</td>
<td>OGC Non-Barg</td>
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<td>Jeffrey Doherty</td>
<td>39.5 yrs</td>
<td>63</td>
<td>BOE/466</td>
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<td>Patricia DiStefano</td>
<td>24 yrs</td>
<td>69</td>
<td>BOE/466</td>
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<tr>
<td>Joan Marchese-Haake</td>
<td>29 yrs</td>
<td>63</td>
<td>Library/Library</td>
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<td>Sara Kennedy (pension refund)</td>
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<td>Registrar of Voters</td>
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<td>Janet Parmelee</td>
<td>21 yrs</td>
<td>63</td>
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<td>Marcy Poppel</td>
<td>15 yrs</td>
<td>63</td>
<td>BOE/Non-Barg</td>
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*** note: missing ages of Retirees to be included on subsequent agenda

• Deceased Pensioners
  Emanuela Barone (benefits to spouse)
  Robert Eastwood
  David Messer (benefits to spouse)
  Violet Woolard

• Adjournment of Meeting
  o Vinny motioned to adjourn and was seconded by John
  o All in favor