MUNICIPAL PENSION BOARD MINUTES
TUESDAY, MAY 08, 2018

The monthly meeting of the Municipal Pension Board was called to order at 5:03 p.m. by Chairman, John Beardsley.

Present: William Kroll, Robert Alia, Marci Nogueira, John Beardsley, Maryann Santos, George Delmastro, Michael Lupkas, John Di Roma, and Patrick Ladd.

Also present: Mark Hammond.

FEBRUARY 2018 MINUTES – there was a motion to accept the February minutes by William Kroll and Patrick Ladd (second). Passed unanimously.

APRIL 2018 MINUTES – there was a motion to accept the April minutes by William Kroll and Patrick Ladd (second). Passed unanimously.

MICHAEL LUPKAS went over the financial reports with the other board members. There was a motion to accept the May financial report by Patrick Ladd and George Delmastro (second). Passed unanimously.

RHONDA MARTIN presented the following applications for retirement:

Caroline Beitman – normal retirement (50% joint and survivor – option 3). There was a motion to accept Caroline's application for retirement by Mike Lupkas and Patrick Ladd (second). William Kroll and Maryann Santos abstained from voting.

David Rogers – normal retirement. There was a motion to accept David's application for retirement by Patrick Ladd and George Delmastro (second). Passed unanimously.

Deborah A. Moore – early retirement. There was a motion to accept Deborah's application for retirement by Robert Alia and John Beardsley (second). Passed unanimously.

Jill Leiss – normal retirement. There was a motion to accept Jill's application for retirement by John Beardsley and Maryann Santos (second). Passed unanimously.

INVESTMENT UPDATE – STIFEL NICOLAUS REPORT:

Overview

Despite strong quarterly earnings and the benefit of corporate tax reductions, US equity markets closed April with fractional losses for the year. Fear of a trade war with China and domestic political uncertainty remain top concerns on Wall Street. Large cap technology shares remain the strongest performers for the year, while financial shares have struggled since the market peak in January. First quarter earnings growth has been extremely impressive — topping 25% year-over-year (18% excluding tax benefits). Overall, S&P companies have beaten expectation by 8% and more importantly have provided positive forward guidance indicating even better results through the remainder of the year.

So, why have the markets held flat this year? Labor trends and predictable Fed policy have provided a measure of stability, but the rising interest rate environment has challenged the attraction of equity dividends. The 10-year US Treasury pierced 3% last month and may linger in that neighborhood for a while, or move lower again as GDP growth slows. Asset allocators seeking risk-adjusted returns may drive funds toward fixed income, as Fed policy tightens further in spite of slowing growth. We anticipate lower price/equity ratios in the forward cycle, as stronger earnings catch up to present stock valuations.

Meriden Retirement Fund

The Meriden pension funds remain ahead of their targets for the fiscal year and calendar year to date. The City Employees fund closed April up 9.5% FYTD, and the combined Police/Fire funds, up 9.8%. Legg Mason's large cap Clearbridge portfolio posted the strongest April performance and remains up more than 17% for the fiscal year thus far, although Kayne Anderson's small-cap (24%) and Dorsey-Wright international (27%) portfolios are leading the pack FYTD. Fixed income returns remain tepid, and the managers (Matrix, Anchor) more exposed to financials and midcap value stocks have underperformed. Meriden's ETF portfolios remain in-line with market indexes, but trail the actively-managed accounts. The Healthcare Trust performance lags the pension accounts, since the OPEB carries a significantly larger allocation to index-based ETFs — but that fund has gained 7.5% overall for the fiscal year to date.

Meriden's policy target allocations are: equities 55%, fixed 20%, alternatives 20%, cash 5% - with ranges established for each broad category. Due to returns from alternative investment funds, the allocation to alternatives has fallen to 9.8%, with distributions presently allocated to index fund portfolios and money market (cash alternative) funds. Equity exposure is presently 72% (54% domestic, 18% international), with 18% in fixed income and cash.

Stifel's Q3 performance reports are available for review, and we are pleased to report that format updates will be introduced for the new fiscal year, improving consolidated reporting and the tracking of positions with limited liquidity, such as partnerships and private equity.

PUBLIC COMMENT – No public comment.

Adjournment at 5:50 p.m. Motion by Patrick Ladd and John Beardsley (second). Passed unanimously.

The next meeting of the Municipal Pension Board will be held on Tuesday, June 12, 2018 at 5:00 p.m. in the Planning Conference Room.

Rhonda Martin, Pension Assistant
Municipal Pension Board