

**Town of Coventry
Pension & Retirement Committee
Regular Meeting Minutes
July 28, 2021**

1. **Call to Order:** Meeting was called to order at 7:03 pm. Present were Bob Murzyn, Cara Revett, Ben Emanuel, David Powers, and Paul Jatkowski (Zoom). Also present was Amanda Backhaus, Finance Director and John O'Connor (Zoom) and Ben Lavine, 3D/L Asset Management.
2. **Approval of Minutes:** Motion to approve the minutes from April 28, 2021 was made Cara and seconded by Dave. Motion passed unanimously. Motion to approve the minutes from May 5, 2021 was made by Cara and seconded by Ben. Motion passed unanimously.
3. **Review of Current Holdings:**
 - a. **3D Asset Management:** John started with a presentation of the plan. July 1 to June 30 performance was just under 50%. It was the best fiscal year he has seen. Last month was a little more volatile. The plan is at 17.6% for the calendar year. The emerging markets continue to be volatile. Even with the delta variant and new mask mandates, there is no second lockdown in site so we will see continued gains in equity markets. We are still in dimensional funds with John Hancock for midcap exposure. They are starting to see DFA move tax-advantage equity into exchange traded funds. There are added tax benefits of ETFs rather than mutual funds. John noted we might see our investments move to ETFs overtime.

Ben continued, noting DFA style investments have had an amazing year. Large and small cap numbers have been great. Particularly the US markets have been great - the International have not been quite as good. The Covid rebound has been good in the US from a vaccine progress and recovery standpoint. He notes there is volatility in the emerging markets - mainly from China. The spike in cases from the Covid variant has hurt Asia more than other areas, many now with re-imposed lock downs. The good news is we seem to be seeing a peak in Covid cases in Europe and India.

Ben noted that Powell held a press conference today and reiterated there will be no change in policy stance until employment levels have returned to pre-pandemic levels. They want lower bond yields and lower inflation which could lead to risk, such as major economic slowdown.

Ben turned to the commentary second section page 1. Valuations for equity markets are still at rich levels. The S&P is still trading at 21 times. The market is pricing in a high earnings recovery for 2021 and 2022. They have noted 30% north earning growth in 2021 and 20% in 2022. This indicates the market could continue to advance. Pricing and shortages are starting to effect buying conditions, but this has not stopped spending yet. Ben noted they are not sure about the potential infrastructure package going through. Ben noted that the end of rental moratorium is July and in September is the expiration of pandemic unemployment benefits. This potential stimulus cliff could be dangerous if

people do not re-enter the workforce. Ben thinks that earnings and margins will be maintained through end of this year and next year.

Ben noted that the entire portfolio is still relatively balanced and Metlife is now offering 3.6% for FY2022 which is an excellent rate. The Committee thanked 3D/L for their commentary.

- b. **6/30/21 Plan Assets:** Amanda reviewed the pension asset summary and allocation, noting that as of June 30 the plan was at a 39/61% split and remained relatively balanced since the Committee rebalanced in May:

Pension Assets	6/30/2021	
	Balance	Distribution
Contract		
86988A - Fixed Town	7,148,320.18	39.24%
TD Banknorth	-	0.00%
3D Asset Management	11,069,481.99	60.77%
Due to GF	(2,811.92)	
Total	18,214,990.25	
YTD		
Beginning Balance	14,184,378.47	6/30/20
Additions:		
Employer	721,681.00	
Employee	258,415.53	
Earnings	4,434,785.69	
Distributions:		
Benefit	1,299,301.97	
Expenses	56,647.88	
Fees	28,320.59	
	18,214,990.25	

Amanda noted she makes the Town's employer contribution in August and asked how the Committee would like the amount deposited. She noted we have historically done 60/40 with the annual contribution. Ben noted we usually rebalance at this time and he would like to continue with this practice. Dave, Bob and Cara all concurred.

- c. **Quarterly transaction details:** System reports were reviewed. No questions noted.
- Retirement Review:** Two retirements were reviewed with no questions/comments.
 - 2021 Actuarial Valuation:** Amanda wanted to provide a brief update on the upcoming valuation. Census information will be submitted to the actuary by this Friday at the latest. This is in line with expectation and going smoothly.
 - Pension Plan Amendment:** Amanda noted that at the last meeting she had reviewed the proposed plan amendment in executive session regarding a DROP plan. The Council has approved but based on the wording in the Pension Plan Trust document, the Council is supposed to approve based on the recommendations of the Pension Committee. Amanda

requested a motion to recommend the proposed pension plan amendment be adopted by the Council.

Ben asked why we would voluntarily agree to pay out such a high dollar amount. Amanda explained that with the Drop plan, the participant is able to collect their accrued benefit. If the participant left employment tomorrow – this is the dollar amount that they are entitled to under the plan based on years of service. She noted by offering the Drop plan, additional earnings and years of service stop accruing and the benefit commences immediately. Ben noted he did not feel the language in the amendment made that clear but was OK with that in concept. Motion was made by to recommend the Council approve the proposed pension plan amendment. Dave seconded and the motion passed unanimously.

7. **Other Business:** None noted.

8. **Adjournment:** Motion moved to adjourn made by Cara seconded by Ben. Meeting adjourned at 7:55 pm.

Respectfully Submitted,

A handwritten signature in black ink, appearing to read 'A.L.B.', with a long horizontal flourish extending to the right.

Amanda L. Backhaus, CPA

Finance Director

Note: These minutes are draft/not official until approved by the Committee at the next Committee meeting. Please see subsequent meeting for approval or changes to these minutes.