



TRUMBULL POLICE PENSION FUND BOARD OF TRUSTEES

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PENSION TRUSTEES

RAYMOND G. BALDWIN, JR., CHAIRMAN
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MICHAEL LOMBARDO
ANGELO MAGLIOCCO
EDGAR PEREZ
MARY BETH THORNTON
CHRIS TREFZ

Trumbull Police Pension Board of Trustee Meeting February 13, 2023

MINUTES

The Trumbull Police Pension Fund Board of Trustees meeting was called to order at 5:00 p.m.

Members Present: Raymond G. Baldwin, Jr., Chairman
Donald Allen
Robert Coppola
Michael Lombardo
Angelo Magliocco
Edgar Perez
Mary Beth Thornton

Members Absent: Chris Trefz

Also Present: Michael Quirini, Principal
Gina Acri, Principal

Quarterly Report Update from Michael Quirini, Principal

Michael Quirini reviewed in detail the Trumbull Police Pension Plan, Quarterly Client Report as of December 31, 2022 as follows:

The following correction on page 2 was noted, "Important Information, page 22" should read as, "Pfaroe Analysis".

Page 4 - Because of uncertainty in financial markets, volatility continues. In the fourth quarter positive returns were seen in equity markets, inflation started to come down. They thought the feds were done and would lower the rates in 2023, but that is not what they have been communicating. It is now expected the feds will continue to raise the interest rates, and will stay high for much of the year, inflation is expected to stay for some time.

The primary reason is the job situation, there are 1.7 to 2 jobs available for every unemployed person, and they have significant negotiating power. The feds need to raise rates to slow the economy to drive the unemployment rate up or we need to see more people come into the jobs market. The expected recession at the end of the first or early second quarter will be short and shallow because consumer and corporate balance sheets, bank statements are in good shape and the unemployment rate is at its lowest since 1969, He expects the first and second quarter to be volatile and the second half of the year will clean up and stabilize. The CPI is expected to come down to 2.9%

Page 6 - Referring to the tables on the lower right side of page 6, it shows a relative valuation of the current earnings ratio as of 12/31/2022 relative to the 20-year average for that segment of the market, some segments are overvalued while others are undervalued. With active management there are pockets with an opportunity to do well in 2023.

Page 7 - The spreads narrowed.

Page 9 - Indicates a \$4.8 million gain during the most recent quarter. Markets continue to be positive in January and part of February. It was a difficult year for 60/40 allocation because fixed income and equity markets were both negative.

Mr. Quirini informed Trustee Coppola the ending value is the same because it is as of 12/31/2022, it is the ending value as of 12/31/2022 and to compare it to the last column, what it was five years ago. Five years ago the starting point was \$63 million. The net contributions are all employee and employer contributions, less distributions. It was explained because the plan is frozen, contributions will be less than what is going out.

Chief Lombardo asked Mr. Quirini if as they go further away from having a defined benefit doesn't the liability become higher for the town because they have less people paying into it. If more people continue to retire and collect, isn't it reasonable that the town would have to continue to increase their arc to sustain the plan? Mr. Quirini asked the Board to turn to page 26, which shows the expectations of how money will flow out over time. It will increase up to 2046 before it starts to decline.

Trustee Baldwin asked Mr. Quirini to look back at time to see if there had always been a deficit or if this was a recent phenomenon. Mr. Quirini agreed and noted this was not related to the market, it is based on what is contributed and what is paid out.

Trustee Magliocco asked Mr. Quirini if a \$1 million deficit is seen at 3 months should they expect to see \$4 million for the year. Mr. Quirini explained that is not necessarily the case, there are significant contributions to be made to the plan, and (\$1.6 million was contributed on February 10th). Mr. Quirini noted his firm is not part of the town's pension study.

Trustee Coppola indicated for Gina Acri the rate had been reduced to 7% and the mortality rate was updated to the Pub 10.

Page 10 - Shows how the portfolio is allocated. Everything is within the bands of minimum and maximum.

Page 11 - All of the components of the portfolio, in all of the major areas managers are used, which is by design, they are also using the CIT, (Collective Investment Trust). Other than the upcoming change in Large Growth Space, there are no changes to the portfolio. This shows a good quarter, the total portfolio net of all fees returned 6.52%, the custom benchmark returns was 6.21%, but the overall year-to-date underperformed because of the challenging environment, but is still ahead on the 3-year basis.

Trustee Coppola asked Mr. Quirini where the percentage of equities for the foreign value and foreign growth and how much dollar-wise it is compared to the whole. Mr. Quirini directed him to page 11 which shows the composition.

Mr. Quirini indicated when you see money growth slow it is problematic and an indicator of a recession.

Mr. Quirini moved to the separate hand out showing the Large Growth Manager Change. On the first page there are two managers, T. Rowe Price and Voya, Voya was meant to be the conservative piece while T. Rowe Price was to be more aggressive. Voya underperformed and will be replaced. He moved through the next pages, reviewing Excess Return v. Markey Benchmark/Time, 3-Year Rolling Return Statistics, New Growth Pairing Comparison to Incumbent Pairing. The next time there is an update the trustees will see the new instead of Voya, Voya's replacement will take over right away.

Mr. Quirini moved back to the main presentation, page 23, Funded Status Monitoring. The discount rate will be modified to 7% moving forward. The funded status improved from 9/30/2022 to 12/31/2022. The deficit is down to \$20 million as of 12/31/2022 from \$22 million in 9/30/2022. Page 24 gives

more details. The funded status was 76.4% and is 79.5% at the end of the fourth quarter. The driver of the improvement is the equity markets.

Mr. Quirini indicated to Chief Lombardo he did not have a more recent funded status, the most recent value of assets as of February 9, 2023 was at \$1,257,622. Another contribution of \$1.6 million was made the other day.

Page 27 - The lower right hand corner of the page shows what happens to interest rates and how it affects the plan and its funded status when equity markets change. Goldman Sachs think there is a 25% chance of recession, although this is all uncertain. The CPI and retail sales are coming this week, it will be a little while before we see if inflation will come down or the federal stops raising rates.

Approval of December 15, 2022 Special Trumbull Police Pension Board Minutes

Motion made by Trustee Thornton to approve the December 15, 2022 Special Police Pension Board minutes, seconded by Trustee Magliocco. There was no further discussion. Motion passed by unanimous consent.

Approval of January 17, 2023 Special Trumbull Police Pension Board Minutes

Motion made by Trustee Allen to approve the January 17, 2023 Special Police Pension Board minutes, seconded by Trustee Perez. There was no further discussion. Motion passed with two abstentions Trustees Baldwin and Lombardo.

New Business

None discussed.

Old Business

- Letter from Lori L. Underberger re: fees. No action was required by the Board of Trustees.
- Trustee Coppola explained Lori Underberger sent an email re: pension lockout stating the final draft was ready to be reviewed, there are one or two more questions but were not substantive, more to define terms. They will meet one or two more times to finalize it.
- Pension Study – The study has started, they have asked Mr. McCarthy for a lot of information. It was agreed Trustee Coppola for expediency would offer his help to Mr. McCarthy regarding data hires and salaries to ensure accuracy.

Adjournment

There being no further business to discuss and upon motion made by Trustee Magliocco and seconded by Trustee Coppola the Trumbull Police Pension Board adjourned by unanimous consent at 5:52 p.m.

Respectfully Submitted,

Margaret D. Mastroni
Margaret D. Mastroni
Acting Clerk of the Commission