



## **WARWICK RETIREMENT SYSTEM**

WARWICK CITY HALL, 3275 POST ROAD  
WARWICK, RI 02886

### **RETIREMENT BOARD MEETING**

**March 18, 2021**

The Retirement Board Meeting of March 18, 2021 was held via a Zoom Webinar in compliance with social distancing guidelines.

#### **MEMBERS PRESENT:**

Alfred Marciano  
Donald Cimini  
Steven Rotondo

Jeanne Muto-Kyle  
Walter Hartley  
Councilman Timothy Howe

Scott Lajoie  
Peder Schaefer  
Joseph Cavanaugh

#### **MEMBERS NOT PRESENT:**

Brian Dunkley

#### **ALSO IN ATTENDANCE:**

Anthony Tranghese

Patricia Channell

Lynn Costa

1. **Meeting was called to order at 3:30 p.m.**
2. **Minutes of Previous Meeting - Open**

Minutes of the Retirement Board Meeting of January 14, 2021, were brought before the board for their review and approval.

**MOTION: Jeanne Muto-Kyle**

To approve the Retirement Board Minutes of January 14, 2021, as presented.

Seconded by Walter Hartley and approved unanimously by the Board Members present.

Roll Call: Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

#### **Minutes of the Previous Meeting - Closed**

Minutes of the Closed meeting of the Retirement board January 14, 2021, were brought before the board for their review and approval.

**MOTION: Jeanne Muto-Kyle**

To approve the Closed Meeting Minutes of the Retirement Board Meeting of January 14, 2021, as presented.

Seconded by Scott Lajoie and approved unanimously by the Board Members present.

Roll Call: Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

### 3. **Quarterly Performance Report**

Tony Tranghese, from Fiduciary Investment Advisors, distributed material and presented the quarterly report for the Fourth Quarter of 2020 along with the February update.

Tony began with the 2020 year-end firm update speaking of the merger between DiMeo Schneider and FIA during the year 2020. The investment firm is now known as DiMeo Schneider & Associates, LLC. It has about \$200 billion in client assets with many pension plans like the City of Warwick making up the asset base. They have more resources together than what they had as individual firms and we should see the benefits of that over time. Tony went on to say that the integration is probably about 12 months ahead of what they had mapped out pre-COVID.

In the Governance Calendar fourth quarter report review, the primary focus is allocation modeling and capital market assumptions.

The municipal plan, at its last valuation in July 2019, was about 73.7 percent funded with a return assumption of about 6.9 percent.

Last year, the markets had a good year. As of December, the S&P was up 18 percent. Often when you have high returns in a year, the forecast will actually be dialed down a bit looking forward. Expected returns for broad asset classes, from a year ago and where they are today, indicate reductions across most segments of the market. There are challenges this year in markets coming on the heels of the really strong returns that the markets enjoyed last year.

The most prominent reductions are in fixed income due to interest rates that dropped significantly during the course of last year. The year 2020 started with a very low historic rate, with the 10 year treasury around 1.8 percent. A year ago, pre-COVID, the industry was “talking” about historically how low the rates were and how they had rarely ever been that low. When rates go up, bond prices come down and that becomes a challenge. During 2020, with the COVID crisis, the rates came down as more money poured in; the 10-year treasury dropped and at its low was right around 0.4 percent. Since then it rallied and spent a good part of the year at 0.6 percent. Near the end of the year and over the last 2 ½ months, it jumped up and it is around 1.7 percent today.

Equities came down a bit, but not nearly the magnitude of the fixed income. The current portfolio models today based on current assumptions of a 6 percent return. The actuaries are using 6.9 Percent return for the Warwick Plan, so that is about a 90-basis point shortfall. Looking at the Frontier Engineer Analysis 20 year outlook with Current Target Mix figures and Mix 1 figures, he explained that you take all the asset classes you can invest in and stated that for every measure of risk there is an optimal mix of those potential asset classes. Tony noted that predicting returns, even in the long run, is impossible, and he feels it is a good exercise so that the portfolio does not become over exposed in a certain segment of the market. He spoke about the example shown on the cash flow worksheet which shows the portfolio modeling to 6 ½ percent by reducing exposure to fixed income by about 7 percent and redistributing that across the equity portion of the portfolio.

In a previous meeting Tony had with Peder Schaefer-Finance Director, Peter suggested that Tony reach out to the actuaries to get their input on this proposed change. Tony then spoke with Joe Newton from GRS regarding the risk profile of the portfolio and suggested that we model to the 6.5 percent, with him using 6.9 percent on the actuarial side, they would be comfortable at that level. Joe confirmed that with this change the actuaries would not be recommending a reduction in the expected return. Reductions in the expected returns result in an increase in contributions requested by the City. Peder Schaeffer stated that the actuary uses the asset values as of June 30, 2020, coming up with the employer contribution for fiscal year 2022. Therefore, the growth that we saw over the past 6 months will not be reflected in the contributions levels from fiscal year 2022. They will be relying on a growth of around 2% through June 30. As a result, we will not see that advantage this year in terms of employer contributions.

Tony stated that Dimeo Schneider's proposal is to switch the target allocation from where we are today to MIX 1 (which was demonstrated on the Frontier Engineer Analysis 20 year outlook slide presented by Tony).

A review of the Warwick Municipal Plan-Proposed Cash Flow Worksheet showed the municipal plan's investment totals at \$162,426,113 as of February 28, 2021. Tony showed the current target percentage and the Proposed Target percentage. The big shift is to reduce fixed income from 32 percent to 25% in aggregate. Large CAP US (all) equities goes up from 35.5 to 36, and international equities goes from 22.5 to 29, leaving 10% in the multi-asset (Wellington diversified inflation hedges and GMO). Overall action is to reduce fixed income and add to equity.

In the International equities, Tony is proposing to add a new and emerging market exposure, in the form of emerging market index fund. Vanguard has a fund and the fee is 0.14 percent. He explained that it would require adding 3 percent. The only new proposal would be adding an emerging market index fund at a weight of 3 percent. Effectively 7 percent would move from fixed into equities and most of that is going into international. More discussion continued among board members and Tony. He suggested we could dollar cost average into that new weight, over a few months, so we are not taking 7 percent weight and moving it all at once. Perhaps, dividing it equally over three months and gradually implementing the change.

After discussion, the following motion was made:

<b>Motion: Jeanne Muto-Kyle</b>
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To accept the reallocation of the portfolio based on the proposed targets that Tony Tranghese has placed before the board, gradually implementing 7 percent from fixed into equities.

Seconded by Donald Cimini and approved unanimously by the Board Members present

**Roll Call:** Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

Quarterly Report: On the YTD, the S&P was up 18.4 percent and the NASDAQ was up 45 percent, Russell 1000 growth up 39.5 percent, mostly from large tech names (Amazon, Facebook, Google, Microsoft). If those five stocks were out of the index, the S&P would have been up only 10%. The aggregate bond index was up 7.5 percent in the year.

The Municipal plan was at \$159,832,667 as of December 31, 2020. Asset allocation was a little underweight fixed income and a little overweight equities resulting from strong equity returns in November

and December. The municipal plan was up 13.4 percent in the quarter and finished the year at 14.1 percent. The new Fiscal year, July 1, 2020, through the end of the year, showed a 19.9 percent return.

**February report:** Year to date through February: Bonds down 2.2 percent. Equities: S&P up 1.7 percent for the first two months of the year, growth is down 0.8 percent, value index is up 5.1 percent. Value is outperforming growth. International stocks – developed markets up 1.2 percent and emerging markets up almost 4 percent. The municipal plan was up 2.9 percent in February and for the year so far is up 2.7 percent. The fiscal YTD is 23.1 percent eight months in. Rothschild was up 12.9 percent in the month of February and 14.7 percent for the quarter so far. Wellington mandate, GMO, up 2.3 percent, a bit of a favorable outlook. If GMO deviates from expectations, we should be quick with action. Their presentation today is consistent with what we have seen from them in the past. Tony has had a number of calls with them and is comfortable with them; their positioning continues to align. If we see a shift away from that in any way, Dimeo would not be shy; they are on the cusp of if they don't continue to add value to the portfolio, it would make sense to move them out. They will continue to be on the watch list as recommended.

#### 4. Retirement applications:

The following Retirement Applications were brought before the Board for Approval:

DATE OF RETIREMENT	RETIREE	YEARS OF SERVICE	TYPE OF PENSION	AMOUNT OF PENSION
2/1/21	Joseph Solomon	20 Years 1 Months	100% Optional	\$3,063.69/3,063.69
2/1/21	Steven Merolla	22 Years	Early Retirement/ Normal	\$236.82
2/1/21	Kathleen McGuirl	29 Years	Normal	\$3,076.03
3/1/21	Ewa Kurpiewski (spouse of Wojciech Kurpiewski – deceased 10.8.16)	18 Years 2 Months	Early Retirement/ - - 100% Optional	\$892.88

After some discussion, the following motion was made:

<b>MOTION: Walter Hartley</b>
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To accept the retirement applications as submitted:

Seconded by: Jeanne Muto-Kyle and approved unanimously by the Board Members present.

**Roll Call:** Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

#### 5. Death benefits:

There were seven \$8,000 Death Benefits paid out since the last retirement board meeting of January 14, 2021. The total amount paid equaled \$56,000.

Margaret Harrington, Shirley Reccko, Joan Lucas, Thomas Walason, Shirley Washburn, William Murphy and Joseph Gallucci, Sr.

6. **Dimeo Schneider & Associates (quarter ending 12/31/20)**

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PAID INVOICE:			
Dimeo Schneider & Associates			
Date:	Invoice	Description:	Amount:
12/31/20	962004	FIA Quarterly Invoice	\$10,120.27

**MOTION: Donald Cimini**

To approve the Dimeo Schneider invoice as presented.

Seconded by Jeanne Muto-Kyle and approved unanimously by the Board Members present.

**Roll Call:** Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

7. **COLA:**

COLA recommendation by actuaries Gabriel Roeder & Smith.

Al Marciano referred to the letter from GRS pertaining to the Municipal Employees' Retirement Plan COLA as of July 1, 2021. The firm provided a history of the COLAs over the past 20 years and the calculation to determine, according to the City's Code of Ordinances, if a COLA would be implemented. It was GRS' recommendation that there will be no COLA for July 1, 2021.

After discussion, the following motion was made:

**MOTION: Steven Rotondo**

To accept the recommendation of GRS that there will be no COLA as of July 1, 2021.

Seconded by: Jeanne Muto-Kyle and approved unanimously by the Board Members present.

**Roll Call:** Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

8. **Discussion of Management Representative Vacancy**

Mention was made that we have 3 nominees for this position.

9. **Discussion of the 2021 Annual Calendar – Meeting Location Revision:**

The dates are the same, but there was a change in the location. The change was posted on the Secretary of State website.

**Announcement-** Chairman Alfred Marciano: That the Retirement Board Meeting of March 18, 2021, go into closed session pursuant to the exception provision R.I.G.L. 42-46-5-(a)(2) of the Open Meetings Law regarding the litigation of a QDRO.

**Notation:** Agenda items 10 – 12 were held in Executive session and not part of the meeting's video recording. Notes were taken to document this portion of the meeting.

**MOTION: Jeanne Muto-Kyle**

Motion to convene on all three sessions at once and then go back into open session at the end.

Seconded: Scott Lajoie and approved unanimously by the Board Members present.

**Roll Call:** Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

**REFER TO CLOSED SESSION MINUTES**

That the minutes of the executive session meeting of March 18, 2021, Retirement Board Meeting will remain sealed because they contain discussion of litigation and other matters for which the meeting was closed pursuant to R.I.G.L. 42-46-5-(a)(2).

**MOTION: Scott Lajoie**

Seconded by Jeanne Muto-Kyle and approved unanimously by the Board Members present.

**Roll Call:** Joseph Cavanaugh – yes, Donald Cimini – yes, Walter Hartley – yes, Timothy Howe –yes, Scott Lajoie - yes, Alfred Marciano – yes, Jeanne Muto-Kyle – yes, Steven Rotondo – yes, Peder Schaefer – yes.

Motions were made and approved during executive session.

13. **Adjournment**

**MOTION: Walter Hartley**

To adjourn the retirement board meeting of March 18, 2021.

Seconded by Peder Schaefer and approved unanimously by the Board Members present.

Respectfully submitted,

Steven Rotondo