



# TOWN OF SUFFIELD

**MEETING MINUTES  
RETIREMENT COMMISSION  
REGULAR MEETING  
NOVEMBER 10, 2022  
HELD HYBRID IN-PERSON AND VIA ZOOM TELECONFERENCE**

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**Committee member present:** Acting Chairman and First Selectman Colin Moll, Kacy Colston, Chris Childs (5:03 p.m. arrival), David Mercik, Glenn Gazdik, Ryan Burrell, and Dan Sheridan

**Others present:** Finance Director Eric Remington, Human Resources Director Karin Ziemba, David Innes, David Nirtaut of Mesirow, and Michael Lepore and Claire McDonald of GYL Financial Synergies

Acting Chairman Moll called the meeting to order at 5:01 P.M.

## **Approval of the Minutes from the August 11, 2022 Regular Meeting**

**Commissioner Colston motioned, and Commissioner Sheridan seconded to approve the minutes. Vote: 6-0 in favor. Motion passed unanimously.**

## **Approval of the Minutes from the August 30, 2022 Special Meeting**

**Commissioner Colston motioned, and Commissioner Sheridan seconded to approve the minutes. Vote: 5 in favor (Moll, Colston, Childs, Mercik, Burrell) and 1 abstain (Gazdik). Motion passed.**

## **Public Input**

- None

## **Election of a new Commission Chairman**

- Discussion that the Commission is still looking for a new Chairman, no volunteers to date.

## **Presentation by Mesirow**

- New portfolio manager, David Nirtaut shared his background and experience. He explained that he has had much experience with the fixed-income market, has a passion for insurance and pension, works well with GYL and looks forward to building partnership with the Commission members.
- Michael Lepore introduced the chart hand-out, showing how the duration has evolved since approval of the lengthening.
- Mr. Nirtaut further explained the duration extension from the beginning of the year. At the end of the year, we were at 4.08 years, after a drop in the middle of the year. Since July or August, it's gone to 3.81 and by the end of October it had extended out two years to 5.81. The duration today was 6.04 which is going to better match the liability stream.

- The Fed along with global central banks are tightening into what is probably a global recession. The aggressive hike is unprecedented. The inflation number today caused the overreaction; however, it provides an opportunity for pools of money like this to take advantage. He believes that once the Fed stops this tightening cycle in the first quarter of next year, that will start to normalize. The yields and coupons that we're getting are allowing for a better match to liabilities.
- The other dynamic that's happening is that the funding status for corporate pension plans on average are up almost 15%. Their average duration on those liabilities is about 16. Since the rate has gone down, there's a natural demand for corporate bonds and treasuries. Demand will really kick in and some of the assets are going to really outperform.
- Mr. Nirtaut believes that after the Fed stops hiking, growth in the third quarter will probably be about 2%, with a slight gain in the fourth quarter and an expected recession around the second quarter of next year.
- Although the inflation number today caused a massive rally in the rates market, it's not really pivoting. The next inflation number in December is expected to be in line with or lower than it is now, which will allow a slowdown. There will still be rate volatility to allow the opportunity to continue to extend the value of the market. These relief rallies give an opportunity for repositioning the portfolio. Trying to position it to perform better in a lower growth or recessionary environment with lower event risk.
- Mr. Nirtaut agreed to update the performance report that was distributed so the committee can see what's going on with the corporate side as it's being done.
- There have been a mix of mandates with either full scope or full gulf credit. The other thing they are seeing is cash mandates.
- Commissioner Gazdik asked about the impending recession from a curve perspective. Mr. Nirtaut responded that curve wise, he believes that after the first quarter the curve will steepen back out. The corporate curve is still steep and that is where he will start smoothing out the duration.
- Commissioner Gazdik asked Mr. Nirtaut if what's driving his actions is where the benchmark is or if he would do anything differently if the commission wanted the duration benchmark to be eight. Mr. Nirtaut answered that is what they are working towards but not in one fell swoop so as not to miss opportunities and that overall, it's not holding him back. The goal is to get out to a duration of eight or nine and he thinks there will be some good opportunities to take advantage of at the end of year.
- Commissioner Childs asked Mr. Nirtaut his opinion on what benchmark should be used and where any real yields are. Mr. Nirtaut answered that eventually there will be real yields but we're probably a year out from seeing real returns. He has sent proposals to GYL, one of which is 8.8. He feels he can take advantage of that.
- Commissioner Childs asked if there are a lot of foreign buyers. Mr. Nirtaut explained that they may already be in a recession. Foreign demand is really a hedging issue, but foreign demand being down should bring demand back to the U.S. market.
- Mr. Nirtaut spoke about the idea of putting taxable municipals in the portfolio. He likes ones tied to revenue, which allows them to use credit experience and provides good diversification.
- Commissioner Gazdik asked if the commission should consider lighting up on high yield or emerging market debt. Mr. Nirtaut stated that he is very nervous about this type of debt with the massive private

credit and high yield combination. He thinks there is time and doesn't feel the recession is going to be that deep.

- Commissioner Mercik asked if they should be doing more now while opportunity still exist. Mr. Nirtaut agrees that makes sense and there's still a little time left. There was discussion about doing this.
- **Commissioner Childs motioned and Commissioner Mercik seconded to sell all emerging market debt, sell \$300 thousand of Black Rock high yield and sell \$500 thousand of Conning high dividend and deploy that with Mesirow at the long end of the curve. Vote: 6-0 in favor. Motion passed unanimously.**
- Mr. Nirtaut will provide the spreadsheet monthly moving forward.

### Review investments with GYL

- Mr. Lepore introduced performance review. There has been about \$1.5 million in growth since the end of the third quarter.
- Claire McDonald continued the review. They closed November 8<sup>th</sup> with \$37,021,427. Going back to the 3<sup>rd</sup> quarter, they were down 5.1% with the benchmark down 5.5%, showing under-performance for the year-to-date and the one-year number. A lot of that came from international. For the 3 and 5 yrs we're ahead of benchmarks and going back to inception, the return is 4.8% versus 4.1%.
- Conning outperformed in the 3<sup>rd</sup> quarter. They were under-weight in energy and some of their retail stocks hurt them earlier in the year, but they are coming back around and have seen some reasonable yield. Some of the quality tilt that had been added in with Vanguard has added value so far. T. Rowe Price large CAP growth has underperformed, with notable under-weight in the communications sector. Thankfully there was some relative outperformance in the 3<sup>rd</sup> quarter, and it isn't as bad as looks on paper right now. Ms. McDonald further explained that they feel it is not the time to do a large CAP growth manager search. They recommend holding firm as they keep their eyes on it. Mr. Lepore added that they did reduce some of the relative exposure when the vanguard was added.
- Ms. McDonald explained that after the last meeting, they reduced allocation to the MFS Intrinsic value and the Oppenheimer International Growth and put that money into the Federated International Strategic Value Dividend Fund. There are no returns to show yet on this new investment, although both had a better 3<sup>rd</sup> quarter.
- Fidelity Advisors on small CAP international allocation were outperforming across all time frames at the end of the 2<sup>nd</sup> quarter but have shown some underperformance moving into the 3<sup>rd</sup> quarter.
- Delaware in emerging markets looks worse than it really is. It was outperforming in years past although they are down year to date 35%, which is impacting longer-term numbers. Part of that was in the 1<sup>st</sup> quarter when they had an over-weight to Russia and semi-conductors. They feel these are companies that are still producing.
- Having Miller Howard in the portfolio has been one of the bright spots. Energy has been one of the only sectors showing strong returns. Holding firm on these has paid dividends with 21% return in the last year.

- For fixed income, the high-yield and emerging markets have had some ugly returns but both MFS and Black Rock have relatively out-performed. Mesirow has also shown out-performance across all time frames.
- Commissioner Childs asked about how they feel about international small cap moving into a recessionary environment. Claire answered that area will be more challenged, but they have seen some feedback from managers who feel they can maneuver around and feel there's potential to weather the storm better than some of the larger companies. Commissioner Childs asked since we are so domestically dependent if it makes sense to shift to U.S. small CAP. Mr. Lepore explained the benefit of keeping the small allocation of 2% as a diversifier especially with looking forward to amazing expectations. GYL recommends with a deposit of this size to let it be.
- Commissioner Childs asked about the fixed income position discrepancy. Mr. Lepore noticed that as well, will look at it and put together rebalance sheets for Monday.

### **Approve 2022 meeting calendar**

- The Committee reviewed the proposed calendar for 2023, which follows the traditional 2<sup>nd</sup> Thursday of February, May, August, and November.
- **Commissioner Childs motioned and Commissioner Mercik seconded to approve the calendar as proposed. Vote: 6:0 in favor. Motion passed unanimously.**

### **Old Business**

- Mr. Remington explained that monthly benefit payments have gone up substantially due to a rash of retirees recently.
- Commissioner Mercik asked the slide deck should be standardized, to include a page or two that shows it all at a higher level to make it easier for review. Other than the investment returns, there is not a lot of activity with employer contributions once a year, employee contributions monthly, and benefit payments. He's doing it anyway and will just need to format it to present quarterly.

### **New Business**

- None

### **Adjournment**

- **Commissioner Childs motioned and Commissioner Mercik seconded to adjourn at 6:32 P.M. Vote: 6:0 in favor. Motion passed unanimously.**

Respectfully submitted,  
 Laura L Fournier  
 Recording Secretary