

**GLASTONBURY BOARD OF FINANCE
REGULAR MEETING MINUTES
WEDNESDAY, MARCH 17, 2021**

The Glastonbury Board of Finance, along with Finance Director, Julie Twilley, and Town Manager, Richard J. Johnson, held a regular meeting at 4:00 p.m. via dial-in conferencing.

Also on the call was Chris Kachmar from DiMeo Schneider.

Roll Call

Members

Mr. Constantine “Gus” Constantine, Chairman
Ms. Jennifer Sanford, Vice Chairman
Mr. James McIntosh
Mr. Walter Cusson
Mr. James Zeller
Mr. Robert Lynn

1. Public Comment Session - Comments pertaining to the call. *None*
2. Communication: Chris Kachmar from DiMeo Schneider to discuss alternative manager options to Templeton Global Bond, as well as provide a review of diversified real asset strategies.

Mr. Kachmar explained that his objective is two-fold: to discuss performance through the end of February and to share thoughts on global bonds and diversifying assets. In terms of general market performance, interest rates continue to drift higher, and bonds are down, while equities continue to yield positive returns. Small cap stocks are outpacing the rest of the cohorts. Mr. Kachmar stated that they have been taken aback by the pace of how rates have gone up, but he reaffirms that the standing allocation of the Town’s portfolio is well-suited. Ms. Sanford stated that a lot of their equity growth over the past month was due to Tesla. Mr. Kachmar agreed that the Vanguard Institutional strategy was a major contributor, but there were other sources with fairly modest absolute returns. Mr. Zeller asked if they used to display the returns on investment assumptions by fiscal year. Mr. Kachmar said no, but they can provide the information in that manner, if needed.

Mr. Kachmar reviewed a list of strategies to consider in place of Templeton Global Bond, with their peer reviews and calendar year performances. While Templeton Global Bond has overall been relatively successful over the past 20-year horizon, over the past four years, they have struggled considerably. He recommends two new candidates (PGIM and Brandywine) instead, with PGIM as their highest conviction choice for dedicating global bonds. Ms. Sanford does not put a weight on historical performance because the environment for bonds is changing now, and they need managers to change with them. Ms. Sanford asked if they could move a certain percentage into one fund. Mr. Kachmar stated that they could do that, perhaps adding a second manager alongside Templeton, as an example. The strategy would not impact the efficient frontier work they have done. Mr. Kachmar explained two strategies for ready-made diversified

commodity exposure. Mr. Lynn supports getting into real assets, but he asked where they would get the money. Mr. Kachmar stated that they would replace what they already have in real assets allocation with DWS and S&P real assets funds. The secondary consideration would be inflation sizing more broadly. Ms. Sanford believes that they should move higher than 4%, but she leaves it up to the managers. She is a subscriber to the commodities super cycle. She likes what they currently have because the fees are cheap and simple. She then asked why they are underweighted in the real estate fund. Mr. Kachmar suggested they round out the inflation protection to 5%, source that target weight 1% from fixed income, and add 50 basis points to the TIPS fund and 25 basis points each to the Parametric and iShare funds. He summarized that this is just a rebalance of the existing targets. The Board agreed to go in that direction.

- a. Action: Add item to agenda

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby adds an action item to the agenda to take action on the Templeton Global Bond Fund, to perhaps split the fund with another fund.

Result: Motion passed unanimously {6-0-0}.

- b. Action: Templeton Global Bond Allocation Transfer

Motion by: Mr. Zeller

Seconded by: Mr. Lynn

BE IT RESOLVED, that the Glastonbury Board of Finance hereby cuts the Templeton Global Bond Fund's funds in half and transfers them into the PGIM Global Fund.

Result: Motion passed unanimously {6-0-0}.

3. Communication:

- a. Minutes of February 17, 2021 – Special & Regular BOF Meetings

Accepted as presented.

- b. Minutes of February 19, 2021 – Special BOF Meeting

Accepted as presented.

4. Communication: Pension Report – January 2021

Ms. Twilley reviewed the report dated February 19, 2021.

5. Communication: Month End Investments – January 2021

Ms. Twilley reviewed the report dated February 9, 2021.

6. Communication: Financial Summary for 8 months - February 2021

Ms. Twilley reviewed the report dated March 10, 2021.

7. Communication: Capital Projects – February 2021

Ms. Twilley reviewed the report dated March 10, 2021.

8. Communication: Self Insurance Reserve Fund – February 2021

Ms. Twilley reviewed the report dated March 8, 2021.

9. Communication: Transfers Approved by Town Manager Since Last Meeting
 - a. Youth & Family Printer (\$1,950)
 - b. Financial Administration Budget Reports (\$700)
10. Action: Transfers over \$5,000 (*None*)
11. Communication: Bank Collateralization Reports

Ms. Twilley reviewed the report as of December 31, 2020.

12. Communication: Acquisition of People's Bank by M&T Bank

Ms. Twilley noted that there are no concerns. Any changes that would happen would occur later in 2021 or even 2022.

13. Communication: Memo re. Mr. Lynn's Pension Calculation Question

Mr. Lynn noted that putting in a lump sum of \$1 million will generate \$1.492 million over the 13 years of the amortization. He asked why they need to have such an ample reserve of \$30 million. Mr. Johnson explained that the bond rating agencies consistently look at what their fund balance is, and they want it at those levels. Mr. Zeller stated that they are receiving 20 basis points now on the \$1 million sitting in the General Fund. He is curious to know, when the term of this CD is over in 14 years, what did they earn. That way, they could compare putting \$1 million versus 20 basis points. Mr. Johnson agreed to calculate that and get back to the Board. Ms. Sanford remarked that that data is important to help educate the Council when they make their decision.

14. Communication: Items tabled from the February 17, 2021 meeting

- a. Communication:

- i. Minutes of January 20, 2021 – Special BOF Meeting

Accepted as presented.

- ii. Minutes of January 20, 2021 – CIP Workshop

Accepted as presented.

- iii. Minutes of January 27, 2021 – Annual Town Meeting

Accepted as presented.

- iv. Minutes of February 1, 2021 – Town Operating & CIP Special Meeting

Accepted as presented.

- v. Minutes of February 3, 2021 – BOE Budget Special Meeting

Accepted as presented.

- vi. Minutes of February 8, 2021 – Public Hearing & Propose Budget to Council Special Meeting

Accepted as presented.

- b. Communication: Pension Report – December 2020

Items b through j were reviewed with no questions or comments from the Board.

- c. Communication: Month End Investments – December 2020
- d. Communication: Financial Summary for 7 months - January 2021
- e. Communication: Capital Projects – January 2021
- f. Communication: Self Insurance Reserve Fund – January 2021
- g. Communication: Transfers Approved by Town Manager Since Last Meeting (None)
- h. Action: Transfers over \$5,000 (None)
- i. Communication: Audit Review Meeting
- j. Board of Finance Committee Reports, comments and remarks (no action to be taken)

15. Board of Finance Committee Reports, comments and remarks (no action to be taken)

Mr. Constantine stated that the PBC has not yet met.

16. Adjournment

Motion by: Mr. McIntosh

Seconded by: Mr. Zeller

BE IT RESOLVED, that the Glastonbury Board of Finance moves to adjourn their meeting of March 17, 2021, at 5:35 p.m.

Result: Motion passes unanimously {6-0-0}.

Respectfully submitted,

Lilly Torosyan
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Recording Clerk

For anyone seeking more information about this meeting, a video on demand is available at www.glastonbury-ct.gov/video; click on Public Broadcast Video On Demand, and an audio recording is available in the Finance and Administrative Services Office.