



**Cheshire Retirement Board  
Meeting Minutes  
August 7, 2019  
Cheshire Town Hall  
84 South Main Street  
Cheshire, Connecticut 06410  
Room 210; 7:00 p.m.**

In attendance were Chairman Michael Evans, members Mark Izzo and Jeremy Beitel; Police Department representatives Kevin Costa and Steve Jester, Finance Director James Jaskot; Ross Charkatz (in person) and Amanda Thome (by phone) of Graystone Consulting. Guest: Tom Ruocco, Town Council Liaison.

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1. Call to Order

Chairman Michael Evans called the meeting to order at 7:00 p.m.

2. Roll Call and Determination of a Quorum.

Chairman Michael Evans called the roll and a quorum was determined.

3. Pledge of Allegiance.

All present recited the Pledge of Allegiance.

4. Approval of Minutes for May 22, 2019 meeting.

**MOTION:** Mr. Izzo made a motion to approve the minutes from the meeting on May 22, 2019. Mr. Evans seconded the motion which was approved unanimously.

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### 5. Old Business

There was no old business to report.

### 6. New Business:

#### a. Investment Update and Market Comments

Mr. Charkatz provided a market overview as of June 30, 2019. Thus far in 2019 the cycle is in reverse of what occurred in 2018. The second half of 2019 shows disconnects resulting in slowing of economic and earnings growth, weighing on corporate confidence. The S&P 500 ended at an all-time high in June despite a mid-quarter breakdown in trade negotiations between the U.S. and China. Recent returns are in the 90<sup>th</sup> percentile per the rolling 6-month 60% S&P 500/40% BC Aggregate returns.

The Bond market appears to signal deteriorating growth and possibly a recession as the real 10-year US Treasury rate has declined to early 2018 levels, with the 10Y-3M curve briefly inverting at the end of March. Mr. Charkatz reviewed exhibits and discussed the implications of a market cycle in its latter stages which, as he said, has a tendency to turn at some point. Mr. Charkatz cited a graphic that ranked asset class returns by year indicating that green means you are beating inflation, while red means trailing inflation. In 2018, no major asset classes beat inflation while in 2019, virtually every asset class has earned a return above inflation. Valuations are high, volatility is low. Investors seem to be complacent. In both stock and bond markets, stocks appear to be pricing in one of the lowest forecast periods of volatility which U.S. bonds price in little concern over liquidity.

The Town of Cheshire Retirement Portfolio is up 10.90% year-to-date with assets totaling \$72,548,134. Notably, Graham Absolute Return, Abbey Capital Ltd., GQC Emerging Markets and TPG Public Equity Managers are doing well.

While no recommendations were made at this time, future considerations were discussed. Snow Capital - All Cap Value and Wedgewood Partners Large Cap Focused Growth Managers are "on watch" by Morgan Stanley's Global Investment Manager Analysis (GIMA) team. Snow Capital is on watch due to

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underwhelming risk-adjusted returns over the last seven years and declining assets under management. Portfolio turnover is approaching 50% showing that the team has had difficulty identifying suitable long-term investments. Wedgewood Partners Large Cap Focused Growth is on watch due to loss of a sizeable institutional relationship estimated at around \$200 million.

Mr. Charkatz noted that the Town's annual contribution was received in July 2019 and used to provide reserve cash and to rebalance various other equity and fixed income managers including a \$1.015 million reduction in FPA Crescent.

Jim Jaskot mentioned that the Fiscal Year 2020 Town employer pension contributions totaling close to \$4.0 million were deposited into the pension trusts in mid-July. It is the first time that the Town has paid the full actuarially required contribution to all three plans since the Town began phasing-in contribution increases after the market downturn in 2008 followed by decreases in the Town's rate of return assumption. The 8.5% assumption was reduced to 7.75%, and then reduced again to the current 7.5%. Recently, the Town actuaries suggested that the assumption be reduced even more, down to 7.0%. Jim said that Cheshire's triple-A peer group currently averages 7.0% for their rate of return assumptions.

If the Council decides to decrease the return assumption, the increase in Town employer pension contributions could average over \$250,000 each year for four years if the .5% decrease was phased-in by .125% a year. Jim said he just wanted the Board to be aware that reducing the assumption and corresponding budgetary impact is something the Council will be weighing in on in conjunction with the additional debt burden associated with a potential school modernization plan and likely declining state aid. Cheshire's plan investment returns have been doing quite well - the ten-year return in the June report is 7.69% overall, but as discussed earlier in the meeting, the market is historically high and it will likely be more difficult to realize this level of return if markets start to decline.

- b. Pension Disbursements - For Information Only
- c. Summary of Bills - For Information Only

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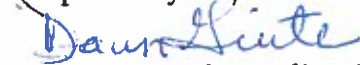
### 7. Public Comment

There was no public comment.

### 8. Adjournment

Mr. Evans made a motion to adjourn the meeting at 8:35 p.m. Motion was seconded by Mr. Izzo. All members present were in favor of the motion.

Respectfully submitted,



Dawn Guite, Recording Secretary