

BOARD OF TRUSTEES
Division of Public Works Retirement System
Meeting Minutes
January 24, 2023

A meeting of the Board of Trustees, Public Works Retirement System was held at 11:33 a.m. on Tuesday, January 24, 2023 in the Large Conference Room located at 9 Riverside Street, Nashua, NH 03062.

Trustees Present:

Frank Anderson, Mayoral Appointee (Chair)
Matt Dube, Employee Member
John Griffin, CFO/Treasurer/Tax Collector, Member
Daniel Hudson, Employee Member
Bob Meunier, Employee Member
Michael O'Brien, Aldermanic Liaison (Assistant Chair)
Paul Shea, BPW Commissioner

Trustees Absent:

None

Others in Attendance:

Joanne Boisvert, Trust Accountant
Mary Woods, Administrative Assistant
Eric Stubbs, RBC Wealth Management
Enrique Jaen, RBC Wealth Management
Mike Winn, RBC Wealth Management

Expected Visitors:

Mr. Eric Stubbs from RBC Wealth Management reviewed the 4Q 2022 Performance Summary as of December 31, 2022. He said last year was the worst year for bonds since the year 1794. For the fiscal year as a whole the plan was up 1.57%. The first quarter was down a quarter, the second quarter was up so it averaged out. On a yearly basis the plan was down 14.77%. The S&P were down 18% and bonds were down 10-12%. Just to put a little bit of reality on things, he stated that the last three weeks things have gone up. He believes that we are right on target. His sense is that this year will be a positive year. The graph that was handed out and shown is what the average rate of return was. Mr. Stubbs stated that we are at the low end of the volatile rate. He stated that the most important thing they did was tighten up the bonds that were short term. He believes we will see a "normalization" in 2023. Consumer price index has come way down very quickly. He thinks a lot of it had to do with the supply issues coming down. He thinks inflation will stay under 2%. He thinks the pension fund will be positive this year. He stated that 87/88% funded is a very strong position to be in. He said that last year was "one year out of five". He believes the message is that the fund is in a very good position.

Trustee Anderson asked if the decisions made in 2022 are specifically made for our pension plan or is it globally throughout all of RBC's accounts? Mr. Stubbs stated that RBC has a bunch of teams with specialists and one of them is a "pension and retirement team" which focuses only on pensions and then they have a "fixed income team" which focuses on what's happening with bonds & interest rates. They also have an "equity team" that is in the

hundreds that focuses on what's going on there as well as a strategy team that put it all together. He said there are literally dozens of people in the background doing research. He stated that it goes from the bond team to the retirement team to see what they would be best doing. Trustee Griffin asked about the inflation in the last 12 months and if he looked at it again on July 1st it would it be 2% instead of 7% like last year? Mr. Stubbs said probably. He stated that if you look back at last year, June/July, the inflation rate was very high (9%) and what happened was in Aug/Sept./Oct. it went way down and Dec. was a negative number. The trend shows that it will stay closer to the 2%. Trustee Griffin asked, with regard to the CPI that they are using, are they thinking that prices i.e., eggs, bacon will come down or stabilize? Mr. Stubbs said the prices may stay the same but they might not go back to the previous lower prices.

Commissioner Shea asked if they see a risk regarding global inflation and consumption going up. Mr. Stubbs said they did an analysis on that subject and the argument is that it will be an issue because suddenly consumption is going up in China. He stated that an argument against inflation going up is that they are also going back to work so supply problems will be less. Their analysts think there will be more supply and less problems.

Trustee Hudson asked that with equity being 67% regarding the guardrails set up in our plan and how restrictive are we compared to other plans. Mr. Stubbs said the he believes this investment policy allows them to go up to 70% in stock and we've been running reasonably close to that percentage for the last few years. He said the reasoning is that if we are only making a small percentage in bonds, as a result they were forced to overweigh stock. Now we can make 4.5% in bonds so the pressure is a little less now. This year since we are recovering from 2022, they don't want to change that yet. Despite Covid they think we have recovered well.

Trustee Dube asked about the current interest rates and what do they think about the stock market and are the wild swings winding down. Mr. Stubbs responded that he doubts the swings will wind down and mentioned that there are always challenges. Trustee Anderson asked about the cash market and if they have it in a money market account? Mr. Stubbs said that they are using a floating rate paper which is making about 4% right now which is included in the cash. Commissioner Shea asked about bonds and if there is an issue coming up with European supply. Mr. Stubbs said our plan only has US bonds and for pension funds it is advised not to have to worry about the value of the US dollar in European bonds.

Trustee Hudson asked about the target rate and if we were 100% funded would we change course? Mr. Jaen said that unlike companies, we are allowed to be 7% under the accounting principles. Mr. Stubbs said we should look at more of what inflation is doing instead of how the market is doing. Commissioner Shea asked if the numbers are as of today or the end of December? Mr. Jaen said that it is as of the end of December, 2022. Trustee Hudson stated that the good news is that the plan is still in a strong position. Commissioner Shea asked about the volatility of the equity rates and he wondered to what extent is the risk to the three/six-month window is our fund to mitigate risk. Mr. Stubbs said that what is challenging about the job is Commissioner Shea could be absolutely right and the reality is that no one knows. The way he looks at it is somewhere in between. Mr. Stubbs quoted someone who has been in the business a long time and said that, it's not that market timing doesn't work it's that it works just well enough to keep hope alive. He also said that market timing is really hard in both directions so they try not to do it too much. Trustee Anderson concluded by saying that he would like to see RBC back in the April timeframe.

Minutes of the Meeting:

The minutes of the December 20, 2022 meeting were presented for review and acceptance.

MOTION BY: Trustee, Daniel Hudson moved to approve the minutes of the December 20, 2022 meeting.

SECONDED BY: Trustee, John Griffin

MOTION CARRIED: Unanimously

DISCUSSION:

Personnel:

A. **MOTION BY:** Trustee, Frank Anderson moved to approve the return of contributions of John Lucinkas which was presented to the Trustees in the amount of \$8,121.24.

SECONDED BY: Trustee, John Griffin

MOTION CARRIED: Unanimously

DISCUSSION: Return of contributions to John Lucinkas was presented to the Trustees. The Board approved the return of contributions in the amount of \$8,121.24.

Old Business:

A. Trustee Anderson brought up the communication update on the Ordinance Changes for the IRS and said that has been submitted to the IRS. On hold until the IRS gets back to the board.

B. RFP for Fund Advisory Services was discussed. Trustee Anderson said that it is his intention to have a presentation by New England Pension Consultants at the February 28th meeting. Trustee Anderson mentioned that they handle the City of Manchester Pension Plan and they do the hiring of the money manager, the record keeping and the cash flow. They will come in and talk the board through the process.

New Business:

Ms. Boisvert brought up the distribution of the Hooker & Holcombe Employee Statements. She stated that the statements are posted to the employee's portal but there was discussion at a previous meeting on the distribution. There was never a conclusion as to if Hooker & Holcombe would distribute the statement or if the City would. Trustee Anderson mentioned that even if they were posted to the portal, some employees wouldn't be able to access it because of forgotten passwords. Ms. Boisvert said there is also some confusion on the statement because Hooker & Holcombe is saying that individuals that have been in the plan for ten years or longer are 100% vested when in fact they wouldn't be considered 100% eligible for a full pension until they have been in the plan 25/30 years. Trustee Griffin asked if that line could be taken out. Trustee Dube doesn't think that it would be confusing to the DPW people he knows. Trustee Anderson asked if the City would send the statement out but the question was who would have the staff to do it. Trustee Hudson mentioned that maybe at the time the statements are sent out, a one-page informational sheet could be sent on how to get into the portal. Commissioner Shea asked if maybe Hooker & Holcombe could send their spreadsheet so that the City could do a mail merge and send it out themselves. Ms. Boisvert will ask Hooker & Holcombe about the cost of them sending it out.

A. MOTION BY: Trustee Anderson moved to have Hooker & Holcombe mail out the current employee statements.

SECONDED BY: Trustee, John Griffin

MOTION CARRIED: Unanimously

DISCUSSION: Ms. Boisvert asked if she should pass a quote onto the board first. Commissioner Shea suggested that if it's over \$1,500 we should see what the other options are. Trustee Anderson said that if it's over \$1,500 to let the board know. Trustee Hudson said that since it is personal and confidential he feels it is preferable to come from Hooker & Holcombe to which Trustee Anderson agreed. Alderman O'Brien said that it could have been a good opportunity to have this emailed to employees to save on postage, etc. but unfortunately not all employees have access to a computer to receive email. Trustee Meunier asked if there was a way to deliver to each department and do a roll call. Trustee Griffin thought that it would be a possibility.

Period for Public Comment:

None

Items by the Trustees:

Commissioner Paul Shea thanked Trustee Anderson for having Hooker & Holcombe in for the presentation. He said that he is still concerned about the equity to which Trustee Anderson replied that we are paying RBC Wealth Management to make the decisions and if they aren't what we think they should be, then we will go through the process of a change. Commissioner Shea asked if RBC Wealth Management were aware that the board was looking for a change and Trustee Anderson replied that they are aware.

There was a discussion regarding the celebration planned for the 75th Anniversary of the DPW Pension System. Commissioner Shea mentioned that he spoke to Director Fauteux about this and she said that she is looking at another date for something independent of the dedication of the new DPW Building in March. Either she or Assistant Director, Andy Patrician will confirm the date and let this board know.

Next meeting will be scheduled for Tuesday, February 28, 2023, at 11:30a.m.

MOTION TO ADJOURN: Trustee, Frank Anderson moved to adjourn at 12:40p.m.

SECONDED BY: Trustee, John Griffin

Minutes Transcribed by: Mary Woods