



TOWN OF MIDDLEBURY

Retirement Plan Committee

Meeting Minutes

Thursday, April 11, 2019 – 1:00 PM

Town Hall Conference Room

1212 Whittemore Rd., Middlebury, CT 06762

Present:

Edward Asselin, Chairman

JoAnn Cappelletti

William J. Stowell

Also Present:

Lawrence Hutvagner, CFO

Brigitte M. Bessette – Recording Clerk

James B. Dorney, CRPS – UBS

Marc A. Ciociola, CRPS - UBS

Call to Order

The meeting was called to order at 1: 00 P.M. by Mr. Asselin with the Pledge of Allegiance.

Approval of January 10, 2019 Meeting Minutes

Mrs. Cappelletti MOTIONED to approve the Minutes of the January 10, 2019 Meeting, SECONDED by Mr. Asselin (William J. Stowell abstained since he we was not present at that meeting).

Correspondence – None

Chairman Comments – None

Public Comments – None

Old Business – In response to Kathryn Blick’s retroactive interest rate inquiry at the January 10, 2019 meeting, Mr. Stowell noted his statement then quoted was specific to one former employee who ceased employment with the town and later became eligible to receive pension benefits. Miss Callahan while researching discovered this employee (who never contacted the town, nor did the town contact the employee) was eligible five (5) years prior. This Board agreed to pay said employee interest back to actual entitlement date. This situation was unique and has nothing to do with Mrs. Blick’s situation. The Police Department Contract clearly states that all employees contribute while employed regardless of benefit entitlement date. Mrs. Blick should not and did not receive any interest. Mr. Hutvagner will forward a copy of these meeting minutes to Mrs. Blick. No further action is required.

New Business -

Discussion and Action with UBS on Pension Plan Investments and Watch List - Mr. Ciociola and Mrs. Dorney made reference to and discussed in detail the attached Quarterly Committee Meeting Town of Middlebury Retirement Plan (April 2019) Report.

In summary the following points were highlighted:

Page 2 - House View: Overview – These bullet points are noted based on facts. Global growth is slowing but is expected to rebound later this year. Corporate profit growth is decelerating but not rolling over. Although there remains volatility and late cycle fears, the worry of recession should tend to go away. Risk-on stance is recommended which means “stay the course” and “keep the equities you have”. US large-cap stocks were neutral on size. This means it does not matter what size (large cap, mid-cap or small-cap equities) pertaining to growth and value stocks. One is not over weighted to another.

Page 3 – The 2019 stock rally continues with the S&P 500 up 2.6% this month thus far and up 14.4% year to date. The Federal Reserve policy expectations remain muted. Trade news is positive with US and China expecting to sign a formal agreement and Brexit developments has been coming fast and furious with conditions on the ground changing rapidly. The risk of global recession in 2019 remains very low. The normal conditions for recession (economic overheating, or significant policy error) are not in evidence, but political risk may drive a more significant slowdown growth. Currently the unemployment rate remains low and Fed Funds rate remain steady. Unless there is hyper-inflation the Fed will likely not raise rates. This boats well for the fixed income side of the town’s portfolio.

Mr. Asselin initiated a brief discussion regarding China, recent events regarding tariffs, China now purchasing fuel from the US rather than Saudi Arabia and the significance of these and other events to the market.

Page 4 - Performance Report –This lists asset classes, market value, allocation and gains and losses. Statistics shown are in line (or mirror) the levels of market volatility during various timeframes with the exception of Small Cap Growth Funds (3.6% of the town’s portfolio allocation) which incurred a -22% loss during the last three months. When measured against the index it underperformed substantially. Additionally, for the year 2018 small cap value was down 13% which is significantly worse than the index.

This performance report further shows a total return for fiscal year 2018 of -5.8%. The total portfolio market value as of 10/1/2018 was \$17,561,288. The ending market value as of 12/31/2018 was \$15,739,216 (a drawdown of approximately 10%). The full year 2018 was -5.8% which once again was in line with how the overall market performed. The S&P 500 in 2018 was roughly -5% for the entire year.

Page 5 – Asset Classes - this shows the asset class return vs benchmark return. Once again this indicates all are basically in line with the exception of Small Cap Growth.

Page 7 – Flash Report - Although the past performance caused a drawdown, the YTD account value is up significantly. The 2018 year end value was \$15,739,216 and is now \$17,213,093 (a gain of approximately 1.5 million within the last three months). Individual funds are listed, fund purchase amounts and growth.

Page 8 – Allocation vs. IPS (Investment Policy Statement) - This reflects actual allocation versus what the town IPS minimum and maximum allocation allows. All are within the IPS bands.

It is the recommendation of both Mr. Dorney and Mrs. Ciociola that the small-cap growth fund be placed on a “watch list”. They will monitor this fund closely during upcoming quarters. If it has underachieved or the fundamentals have not changed, they will recommend further action. They stressed long term performance rather than short term is most important. All members of this board were in agreement with this recommendation.

Lastly, Mr. Dorney and Mr. Ciociola will prepare and present to the board a total benchmark report. Information provided will be what can be invested and how current funds match up to other funds available within each sector. This information will enable this committee to better understand, compare options and make the best informed decisions for the overall plan. A brief discussion took place regarding when this report would be available and at what Board meeting it will be presented. The next meeting will be scheduled based on the necessary time needed for Mr. Dorney and Mr. Ciociola to gather and prepare this report.

Adjournment

Mr. Stowell MOTIONED to adjourn the meeting at 1:50 P.M., SECONDED by Mrs. Cappelletti, unanimous approval.

These minutes are submitted subject to approval.

Respectfully submitted,

Brigitte M. Bessette
Recording Clerk
Attachment

Cc: Retirement Plan Committee Members
Connie Brunswick – Finance Assistant
Lawrence Hutvagner – CFO
Town Clerk / Web Master

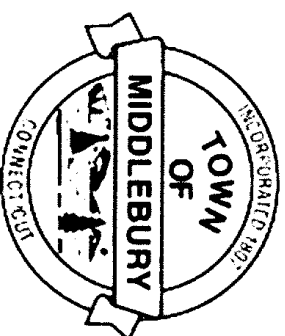


Quarterly Committee Meeting

Town of Middlebury Retirement Plan

April 2019

EastRock
wealth management
UBS Financial Services Inc.
265 Church St
New Haven, CT 06510
203-498-3311



Agenda

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- Market Commentary pgs.2&3
- Portfolio Valuation YE 2018 pg.4
- Asset Allocation & Performance pg.5
- Asset Class Review pg.6
- Flash Report 9/30/18 pg.7
- Allocation Vs. IPS Bands pg.8

House View: Overview

- Global growth is slowing, but we expect a rebound later this year and the expansion looks poised to endure. We believe that the bull market is intact, and despite its age can continue for several years.
- Corporate profit growth is decelerating but not rolling over. US equity valuations look attractive, especially given the "Goldilocks" combination of solid growth and contained inflation. Stocks look even cheaper overseas, which could help boost returns.
- Volatility will likely persist as markets weigh higher interest rates, trade frictions, and "late cycle" fears, but market should climb the "wall of worry" as investors price out recession fears.
- We recommend a risk-on stance, with an overweight to US stocks—and EM hard-currency bonds—versus US government bonds. But this month we close our EM stock overweight, in order to lock in recent gains and reduce risk in the event that growth disappoints.
- We also balance our risk-on stance with an overweight to long-duration Treasuries, which can buffer portfolios against slowdown fears and geopolitical shocks.
- Within US large-cap stocks, we are neutral on size (large-, mid-, and small-caps) and style (value and growth). We have a modest preference for US cyclical sectors, with an overweight to technology and financials and an underweight to utilities and industrials.

Source: UBS, as of 21 March 2019



The views expressed in this slide belong to CIO Americas, GWM

House View: Executive summary

Month in review

- Stocks continued their 2019 rally, with the S&P 500 gaining 2.6% so far in March, bringing it to +14.4% year to date. Strong equity performance was not limited to just the US, with the MSCI All Country World Index also up 13.1% year to date.
- Federal Reserve policy expectations helped support markets. With inflation remaining muted—the core consumer price index increased just 0.1% month-over-month in February—the Fed announced a more dovish stance than expected. The central bank no longer expects further rate hikes in 2019, and only sees one hike in 2020.
- Trade news was mostly positive, with the US and China expected to sign a formal agreement in the next few weeks or months.
- Brexit developments have been coming fast and furious, with conditions on the ground changing rapidly. The EU has granted a temporary extension, but there's no guarantee Parliament can find a compromise.

Global economic outlook

- Economic data has generally surprised to the downside so far in 2019. Trade disputes are weighing on global growth and could endanger the recovery if there is further escalation. We have, however, become more optimistic on the prospects for a breakthrough in US-China negotiations.
- The Fed has turned more dovish, suggesting that it will refrain from hiking rates any time soon. China is using both fiscal and monetary policy to stabilize growth. Inflation remains subdued in most countries.
- The risk of a global recession in 2019 remains very low. The normal conditions for a recession (economic overheating, or significant policy error) are not in evidence, but political risk may drive a more significant slowdown in growth.

Tactical Positioning

Asset Classes

Most Preferred

Least Preferred

Equities

- US All-cap equities

Fixed Income

- EM hard currency
- US Treasuries (long)
- US government bonds

Foreign exchange

- NOK
- CHF

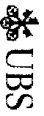
US sectors

- Technology
- Financials
- Industrials
- Utilities

US Economic Outlook

Real GDP y/y	3.1	2.6	2.3	2.1	2.0	2.9	2.2	2.0
CPI-U y/y	2.2	1.6	1.8	1.7	1.7	2.4	1.7	2.2
Unemployment	3.7	3.7	3.7	3.7	3.7	3.9	3.7	3.5
Fed Funds rate	2.4	2.4	2.4	2.4	2.4	2.4	2.4	2.4

Source: UBS, as of 21 March 2019



Overweight Neutral Underweight

The views expressed in this slide belong to CIO Americas, GWM

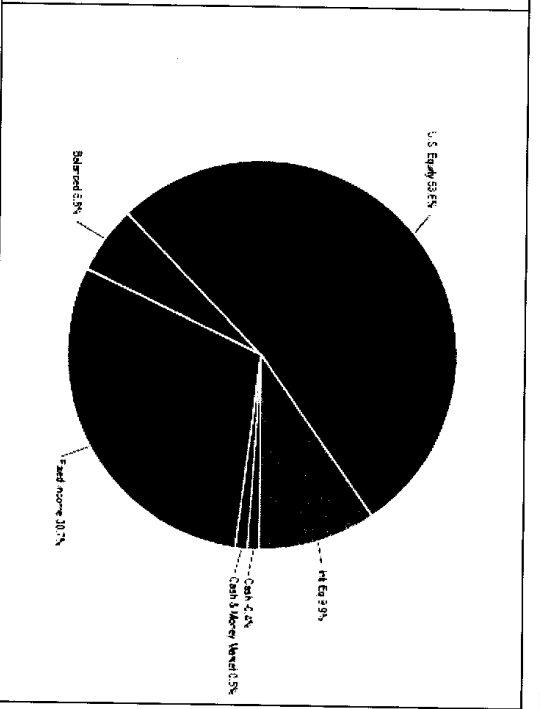
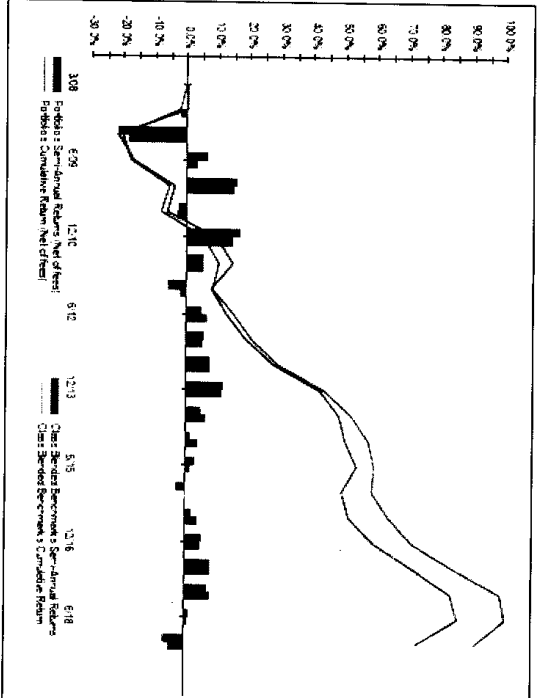
PERFORMANCE REPORT PERIOD: 3/1/08 TO 12/31/18 TOWN OF MIDDLEBURY RET. PLAN

	10/1/18		PORTFOLIO ALLOCATION	LAST 3 MONTHS		FISCAL YTD		REPORT PERIOD	
	MARKET VALUE	ENDING MARKET VALUE		GAIN/LOSS	TOTAL RETURN	GAIN/LOSS	TOTAL RETURN	GAIN/LOSS	TOTAL RETURN
Cash	-84,112	-69,615	-0.4%	0	0.0%	3	0.0%	936	0.3%
Money Mkts & Equivalents	82,645	82,987	0.5%	445	0.5%	1,416	1.7%	2,497	0.5%
Cash & Money Market	82,645	82,987	0.5%	445	0.5%	1,416	1.7%	2,497	0.5%
US Corporate	4,821,725	4,828,581	30.7%	48,825	1.0%	4,724	0.0%	1,483,445	3.6%
Fixed Income	4,821,725	4,828,581	30.7%	48,825	1.0%	4,724	0.0%	1,483,445	3.6%
Balanced Funds	983,695	906,898	5.8%	-71,409	-7.3%	-66,932	-6.9%	122,816	5.8%
Large Cap Core Funds	2,014,398	1,699,479	10.8%	-294,617	-14.7%	10,824	0.0%	4,294	1.0%
Large Cap Growth Funds	1,734,951	1,508,935	9.8%	-206,184	-12.0%	-121,804	-7.5%	1,464,483	8.3%
Large Cap Value Funds	1,244,515	1,030,998	6.6%	-200,617	-16.2%	-43,783	-4.4%	1,308,871	7.5%
Mid Cap Growth Funds	1,222,255	1,068,069	6.7%	-151,279	-12.5%	-117,116	-10.0%	1,040,154	9.1%
Mid Cap Value Funds	738,801	568,640	3.6%	-164,276	-22.3%	-61,481	-10.0%	1,147,874	10.2%
Small Cap Growth Funds	739,804	613,634	3.9%	-138,120	-18.3%	-94,775	-13.4%	441,821	8.1%
Small Cap Value Funds	1,226,598	1,062,961	6.7%	-164,834	-13.5%	-48,129	-4.5%	483,898	8.0%
Equity Income Funds	538,598	498,255	3.2%	-32,888	-6.1%	-35,758	-6.6%	74,444	4.2%
Real Estate Funds	436,549	396,857	2.5%	-32,316	-7.4%	0	0.0%	180,272	7.3%
SEP 500 Funds	3,372,454	3,176,725	13.2%	-192,317	-7.2%	-70,870	-14.8%	176,603	8.6%
Emerging Market Eq. Funds	1,840,865	1,560,636	9.9%	-263,562	-14.4%	-181,601	-10.5%	293,978	2.2%
International Developed/Global Eq. Funds	1,840,865	1,560,636	9.9%	-263,562	-14.4%	-181,601	-10.5%	293,978	2.2%
International Emerging Markets	1,840,865	1,560,636	9.9%	-263,562	-14.4%	-181,601	-10.5%	293,978	2.2%
TOTAL PORTFOLIO (Net of fees)	17,561,288	15,739,216	100.0%	-1,704,648	-9.7%	-973,396	-5.8%	7,176,660	5.2%
TOTAL CONTRIBUTIONS/WITHDRAWALS				LAST 3 MONTHS		FISCAL YTD		REPORT PERIOD	
TOTAL FEES				-117,424		-228,233		8,562,556	
				34,035		138,665		1,078,535	



ASSET CLASSES VS. BENCHMARKS - REPORT PERIOD: 3/1/08 TO 12/31/18

TOWN OF MIDDLEBURY RET. PLAN



ASSET CLASS	BENCHMARK	PORTFOLIO ALLOCATION	LAST 3 MONTHS		FISCAL YTD		REPORT PERIOD	
			CLASS RETURN	BENCHMARK RETURN	CLASS RETURN	BENCHMARK RETURN	CLASS RETURN	BENCHMARK RETURN
Cash	Not Applicable	0.2%	0.0%	0.0%	0.0%	0.3%	0.0%	
Cash & Money Market	Lipper Money Market Index	0.5%	0.5%	1.7%	1.6%	0.5%	0.4%	
Fixed Income	BBG BANC Aggregate Bond Index	30.7%	1.0%	0.0%	0.7%	3.6%	3.5%	
Balanced Mutual Funds	Upper Balanced Fund Index	5.8%	-7.3%	-6.9%	-4.7%	5.8%	6.7%	
U.S. Equity	Standard & Poor's 500 Stock Index	53.6%	-14.0%	-13.5%	-4.4%	8.1%	8.3%	
International Equities	MSCI EAFE Gross Index	9.9%	-14.4%	-10.5%	-13.4%	2.2%	1.7%	
TOTAL PORTFOLIO (Net of fees)	Class Blended Benchmark	100.0%	-9.7%	-8.9%	-5.8%	5.2%	6.1%	
Inflation	Consumer Price Index		0.3%	0.3%	1.9%	1.9%	1.5%	1.6%
RETURNS AFTER INFLATION (Net of fees)			-10.0%	-9.2%	-7.5%	5.8%	3.5%	4.4%



ASSET CLASS REVIEW - REPORT PERIOD: 3/1/08 TO 12/31/18

TOWN OF MIDDLEBURY RET. PLAN

ASSET CLASS/BENCHMARK	PORTFOLIO ALLOCATION	LAST 6 MONTHS	FISCAL YTD	LAST 12 MONTHS	LAST 3 YEARS	LAST 5 YEARS	LAST 10 YEARS	REPORT PERIOD
Cash	4.4%	0.0%	0.0%	0.0%	0.1%	0.1%	0.3%	0.3%
Not Applicable		0.0%	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Cash & Money Market	0.5%	1.0%	1.7%	1.7%	1.0%	0.6%	0.4%	0.5%
Lipper Money Market Index		0.9%	1.5%	1.5%	0.8%	0.5%	0.3%	0.4%
Fixed Income	30.7%	1.2%	0.0%	0.0%	2.6%	2.7%	4.3%	3.6%
BBG BARC Aggregate Bond Index		1.7%	-0.0%	0.0%	2.1%	2.5%	3.5%	3.5%
Balanced Mutual Funds	5.8%	-5.6%	-6.9%	-6.9%	3.3%	3.8%	5.8%	5.8%
Lipper Balanced Fund Index		-4.8%	-4.7%	-4.7%	5.3%	4.5%	6.7%	6.7%
U.S. Equity	53.6%	-9.4%	-6.6%	-6.6%	7.8%	6.4%	12.8%	8.1%
Standard & Poor's 500 Stock Index		-6.9%	-4.4%	-4.4%	9.2%	8.5%	13.1%	8.3%
International Equities	9.9%	-13.8%	-10.5%	-10.5%	5.5%	2.0%	5.7%	2.2%
MSCI EAFE Gross Index		-11.3%	-13.4%	-13.4%	3.4%	1.0%	6.8%	1.7%
TOTAL PORTFOLIO	100.0%	-7.0%	-5.6%	-5.6%	5.0%	4.0%	8.2%	5.2%
Class Blended Benchmark		-4.7%	-4.0%	-4.0%	6.4%	5.9%	9.1%	6.1%



Flash Report April 2019

Matrix Trust Company
PORTFOLIO APPRAISAL
Town Of Middlebury Ret Plan
 71442
 April 4, 2019

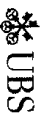
Security Symbol	Class	Quantity	Security	Unit Cost	Total Cost	Price	Market Value	Pct. Assets	Unrealized Gain/Loss	Pct. CL	Annual Income	Cur. Yield
COLLECTIVE FUNDS												
0004	003100439	3,333.578	BlackRock Emerging Markets Equity Index Fund Cl 0	105.98	353,570.30	127.98	426,631.31	2.5	79,352.01	20.76	0.00	0.0
01M F	97183H130	3,217.745	BlackRock Equid Bond Fund Cl 0	253.42	815,450.13	371.41	1,191,510.07	6.9	379,672.54	46.56	0.00	0.0
90014	90363X704	53,395.696	Core Plus Fixed Income Fund Cl 0	51.38	1,158,459.69	42.69	2,365,008.45	13.7	626,568.76	36.04	0.00	0.0
90046	90363X853	39,732.577	Global Allocation Fund Cl 0	20.30	806,604.34	24.47	972,057.50	5.6	165,453.15	20.51	0.00	0.0
90020	90363X97	14,801.595	International Focus/Global Value Fund Cl 0	45.74	677,659.41	63.62	941,618.27	5.5	264,558.86	39.07	0.00	0.0
90011	90363X621	23,347.574	International Growth Fund Cl 0	23.78	555,267.28	32.93	768,765.57	4.5	213,498.29	38.45	0.00	0.0
90003	90363X109	83,331.132	Money Market Fund Cl 0	1.00	83,331.12	1.00	83,331.13	0.3	0.01	0.00	0.00	0.0
90008	90363X407	2,6197.396	Multi-Manager Core Fixed Income Fund Cl 0	44.71	1,171,300.87	50.11	1,312,809.91	7.6	141,509.04	12.08	0.00	0.0
90036	90363X662	86,421.318	Multi-Manager Large Cap Growth Fund Cl 0	10.31	890,719.42	22.76	1,966,776.36	11.4	1,076,056.94	120.81	0.00	0.0
90007	90363X793	8,489.317	Multi-Manager Large Cap Value Fund Cl 0	103.06	874,876.81	104.58	1,651,834.32	8.8	776,957.52	88.81	0.00	0.0
90045	90363X728	38,287.665	Multi-Manager Mid-Cap Value Fund Cl 0	14.67	566,291.83	31.67	1,215,775.74	7.1	652,183.90	115.83	0.00	0.0
90029	90363X729	31,846.588	Multi-Manager Mid-Cap Growth Fund Cl 0	10.07	373,579.18	34.10	1,222,225.26	7.1	640,812.09	112.42	0.00	0.0
90001	90363X896	2,349.797	Multi-Manager Small Cap Growth Fund Cl 0	119.18	205,896.97	252.40	645,268.76	3.7	339,671.80	111.77	0.00	0.0
90044	90363X588	22,334.124	Multi-Manager Small-Cap Value Fund Cl 0	13.50	301,422.11	51.37	790,066.14	4.1	399,244.03	132.45	0.00	0.0
90037	90363X670	9,048.225	R&I Fund Cl 0	40.64	367,683.95	61.09	552,747.02	3.2	185,063.06	50.35	0.00	0.0
90041	90363X003	18,623.318	Short Duration Fund Cl 0	11.19	208,153.41	23.12	1,189,026.29	0.8	200,899.52	24.10	0.00	0.0
					11,656,753.81		17,267,960.14	1,000	6,171,835.33	65.97	0.00	0.0
CASH AND EQUIVALENTS					5,124.30		5,124.30	0.0			0.00	0.0
TOTAL PORTFOLIO					11,661,878.11		17,273,084.44	1,000	6,171,835.33	65.96	0.00	0.0



Allocation vs. IPS Bands

8

<u>Asset Class</u>	<u>Policy Minimum Allocation</u>	<u>Policy Target Allocation</u>	<u>Tactical Allocation</u>	<u>Policy Maximum Allocation</u>	<u>Dec-18 Middlebury</u>
Cash	0	4	5 (+1)	20	0.00%
Inflation Adjusted Bonds	0	4	4	50	0.00%
Intermediate Term Bond Funds	0	15	15	50	14.86%
Multisector Bond Funds	0	9	8.5 (-0.5)	25	15.90%
High Yield Bond Funds	0	10	10 (+0)	15	0.00%
International Bond Funds	0	7	8.5 (+1.5)	15	0.00%
US Large Cap Equity	0	20	18 (-2)	50	27.10%
US Mid Cap Equity	0	8	6 (-2)	20	13.20%
US Small Cap Equity	0	0	0 (+0)	10	7.50%
International Equity Funds	0	10	8 (-2)	30	12.40%
REIT Funds	0	8	3 (-5)	15	3.20%
Commodity Funds	0	5	4 (-1)	15	0.00%
Alternative	0	0	10 (+10)	25	5.84%



Past performance is no guarantee of future results. All total returns are stated in nominal U.S. dollar terms. Source: Morningstar Direct.

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