

The Regional School District 13 Board of Education Educational Resources Committee met in special session on Wednesday, December 16, 2020 at 6:30 PM via Zoom.

Committee members present: Mr. Moore, Mr. Roraback and Mr. Yamartino

Committee members absent: Dr. Friedrich and Mrs. Geraci

Administration present: Dr. Serino, Superintendent of Schools and Mrs. Neubig, Director of Finance

Guest present: Kevin Nichols, Morgan Stanley

Mr. Moore called the meeting to order at 6:30 PM.

### **Pledge of Allegiance**

The Pledge of Allegiance was recited.

### **Public Comment**

None.

### **Approval of Agenda**

*Mr. Roraback made a motion, seconded by Mr. Yamartino, to approve the agenda, as presented.*

*In favor of approving the agenda, as presented: Mr. Moore, Mr. Roraback and Mr. Yamartino.*

### **Pension Investment - Morgan Stanley**

Mr. Yamartino asked what the current percentage of management fees that the portfolio is seeing are and Kevin Nichols explained that the total fees are .9 percent which includes the managers and all Morgan Stanley fees. Mr. Yamartino asked how the fees compared to the rest of the country and Mr. Nichols did not have statistics on that. He did say that there are pension plans in Connecticut with \$100 or \$200 million of assets that are paying over 1 percent. The State of Connecticut's pension plan pays about 55 basis points.

Mr. Yamartino also asked if there were updated performance sheets through September and Mr. Nichols will send the performance reports up to the end of September. Mr. Yamartino added that he liked the concept of the laddered bonds and Mr. Nichols explained that they structure it so that if pension payments need to be made from the portfolio, bonds will be coming due. If no payments need to be made, the cash will roll back into a five-year corporate bond. Mr. Yamartino asked if the amount that is being put into bonds is roughly equivalent to payments that will need to be made. Mr. Nichols noted that payments made last year were in the high \$300,000s and they plan to invest about \$2.6 million in the laddered portfolio. Mr. Yamartino asked why they would be putting in \$2.6 million when the forecast to be paid would be \$2 million. Mr. Nichols explained that they are obviously working on the liability stream, but also asset allocation. Being in 75 percent stocks and 25 percent bonds is a very balanced portfolio. They are trying to be a little more conservative on the stock side with high-quality investments that are paying good dividends, with a lot of growth potential, but staying investment-grade on the fixed income side. He

agreed with Mr. Yamartino in that stocks are the place to be and that's why they are going with short-duration bonds, but they also want to be cautious.

Mr. Yamartino felt that the district would be better served finding some really large cap companies paying dividends well in excess of 4 or 5 percent than being in the bond market. He asked if they would be exercising sound fiduciary responsibility if they were to recommend 80/20 as opposed to 75/25. Mr. Nichols explained that they would have to check the investment policy statement to see if that is allowable. He did feel that the portfolio could be more balanced with conservative, high-quality stocks with the risk tolerance that looks more like a 60/40 portfolio. Mr. Yamartino proposed taking \$500,000 of the \$2.6 million in bonds and moving that toward the large cap value type stocks, but he does realize that he is very risk-tolerant.

Mr. Nichols suggested that they look at the investment policy statement and possibly amend that, if needed. Mr. Yamartino asked the other committee members if they wanted to pursue that and Mr. Moore didn't have an opinion either way. Mr. Roraback stated that he was not averse to a small bit of risk, but would want to stay mostly conservative. Mrs. Neubig added that she tends to be more on the conservative side, especially with pensions. Mr. Nichols also pointed out that the plan will be about 91 percent funded and part of their mission is to protect that funded ratio. He felt that they were about \$900,000 short of 100 percent funded. Mr. Yamartino stated that taking the \$500,000 out of bonds could produce as much as \$300,000 or \$400,000 over five years towards closing the gap.

Mr. Yamartino felt that the committee probably doesn't have the expertise for people to feel comfortable saying yes or no. He felt that Mrs. Geraci would have some insight. Mr. Yamartino did state that he would be in favor of the moves that Mr. Nichols had proposed, but asked if it could be revisited at a future time. Mr. Nichols stated that nothing would be locked in, but he reiterated that they would need to look at the investment policy statement.

Mr. Yamartino summarized that he is relatively more aggressive and would like to move \$500,000 of the \$2.6 million out of bonds and into large cap, growth type stocks that would provide a dividend, Mr. Roraback had said he was willing to take a little bit more risk, Mrs. Neubig said she was a little more conservative and Mr. Moore was going to rely on everyone's judgment. At this point, Mr. Yamartino will have a discussion with Mrs. Geraci and if she feels comfortable making the move, they will circle back to the committee. If she is not comfortable with making that move, the fund should stay as it is.

*Mr. Yamartino made a motion, seconded by Mr. Roraback, to accept the proposal from Morgan Stanley, as presented.*

*In favor of accepting the proposal from Morgan Stanley, as presented: Mr. Moore, Mr. Roraback and Mr. Yamartino. Motion carried.*

Mrs. Neubig felt that they should bring this recommendation to the full board for a vote and it is on the board's agenda for tonight.

### **Public Comment**

None.

**Adjournment**

*Mr. Yamartino made a motion, seconded by Mr. Roraback, to adjourn the meeting.*

*In favor of adjourning the meeting: Mr. Moore, Mr. Roraback and Mr. Yamartino.*

The meeting was adjourned at 6:55 PM.

Respectfully submitted,

Debi Waz

Debi Waz  
Alwaz First