

MINUTES OF MEETING October 30, 2023

The regular monthly meeting of the Northampton Retirement Board was called to order by Chairperson Charlene Nardi at 1:32 p.m.

Members present were Joyce Karpinski, Karen Lafleche, Charlene Nardi, Thomas Sullivan and Tammy Suprenant. Also present was Retirement Administrator David Shipka, Associate Retirement Specialist Elsie Vazquez and Interim Auditor Kala Fisher.

The meeting was held remotely via Zoom teleconference pursuant to the Open Meeting Law provisions in Chapter 2 of the Acts of 2023.

Visitors

None

New Business

Michael Shade, Stephen Kern and Marion Rockwood of the de Burlo Group were present to report on investment performance in the third quarter of 2023.

Prior to reviewing the quarterly results, at the request of the Board, the de Burlo Group addressed several issues.

The first topic of discussion related to performance of companies in the energy sector. The Board was revisiting the issue of energy investments to see how a lack of exposure to the sector had affected the overall performance of the portfolio.

Mr. Shade acknowledged that the environmental impact of fossil fuels is an important topic, but stressed that the de Burlo Group's primary concern was a commitment of fiduciary responsibility to the Retirement System. He said the lack of exposure was largely because investments in the energy sector have historically been volatile.

He reviewed a chart showing annualized S&P 500 performance with and without the energy sector. The conclusion was that the sector had performed well over recent years, however for the past five years and ten years annualized, the energy sector experienced a decline.

The next topic discussed was Northampton's performance compared with the Massachusetts Pension Reserves Investment Trust (PRIT) fund in recent years. The Board was concerned about the poor performance relative to the PRIT fund in 2021, 2022, and thus far in 2023.

Mr. Shade attributed the PRIT fund's higher returns in recent years to its approximately 30% combined weighting in the asset classes Private Equity and Real Estate. He noted that PRIT had reported a strong net increase for these asset classes in recent years, but stressed that the valuations tend to be subjective.

In answer to a question from Ms. Karpinski, Mr. Shade noted that an overall measure for risk for the portfolio is not feasible.

Following these questions the de Burlo Group discussed performance in the third quarter of 2023. The portfolio depreciated by approximately 3.3%. Stocks were down 4.0% compared to the S&P 500's 3.3% decrease. Bonds were down 2.1% compared to the 3.0% decrease of Barclay's Index.

At the end of the quarter, the portfolio's equity allocation was approximately 63% and the fixed income allocation was approximately 35%. Approximately 2% of the portfolio was in cash.

Ms. Karpinski noted the annualized 10-year equity return is lagging in comparison to the S&P 500. Mr. Shade pointed to the downturn being primarily contained to the current market cycle. There was a brief discussion on the length of a market cycle. Mr. Shade said the length of a market cycle is typically 5-7 years. Ms. Nardi was concerned the downturn may have extended beyond that timeframe.

Ms. Karpinski requested to see 15-year and 20-year Northampton equity returns vs. the S&P 500. Ms. Nardi agreed the downturn was cause for concern and warranted close review. Mr. Shade will research the history and provide the data.

At the end of the presentation the de Burlo Group exited the Zoom call.

The Board reviewed the third quarter budget report prepared by the Administrator.

Regular Business

The Board received applications for the following new members:

Devon Peterson (School)

Nathan Taskin (School)

Kris Baker (DPW)

Carole Collins (Climate Action & Project Administration)

Akara Holder (Smith Voke)

Emily Gonyea (School)

Franchisee Torres-Garrafa (School)

Stephen Miller (Smith Voke)

On a motion made by Ms. Karpinski and seconded by Ms. Suprenant, the Board voted unanimously by roll call (5-0) to accept the aforementioned new member(s) (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Sullivan: Yes, Suprenant: Yes).

The Board received superannuation retirement application(s) for the following members:
Matthew Superba (Fire)

On a motion made by Ms. Suprenant and seconded by Ms. Lafleche, the Board voted unanimously by roll call (5-0) to accept the aforementioned superannuation retirement application(s) (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Sullivan: Yes, Suprenant: Yes).

The Board reviewed retirement allowances for the following retirees:
Glenda Stoddard (Human Resources)

On a motion made by Ms. Lafleche and seconded by Ms. Karpinski, the Board voted unanimously by roll call (5-0) to approve the aforementioned retirement allowance(s) (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Sullivan: Yes, Suprenant: Yes).

The Board reviewed the following deceased members/retirees/survivors:
Karen Witkos (School)

The Board reviewed the minutes of the following meetings:
Regular meeting on September 28, 2023
Special meeting (open session segment) on October 17, 2023
Special meeting (executive session segment) on October 17, 2023

On a motion made by Ms. Suprenant and seconded by Mr. Sullivan, the Board voted unanimously by roll call (5-0) to approve the aforementioned minutes (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Sullivan: Yes, Suprenant: Yes).

The Board reviewed and approved the following warrants:
Pension payroll warrant totaling \$1,155,840.38
Accounts payable warrant totaling \$399,610.58
Board and staff payroll warrant totaling \$15,232.39

On a motion made by Ms. Suprenant and seconded by Ms. Lafleche, the Board voted unanimously by roll call (5-0) to approve the aforementioned warrants (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Sullivan: Yes, Suprenant: Yes).

The Board reviewed the following financial report(s) prepared by the Administrator:
August Cashbooks

The Board reviewed the following financial statement(s):
The de Burlo Group Statement for September
PRIT Statement/Update for September

The Board reviewed the following wire transfers for the current month:
\$17,121.98 from PRIM to M&T Bank (distribution)
\$1,000,000 from M&T Bank to Florence Bank

The Board reviewed the Treasurer's report on the Florence Bank account for September
Bank statement: \$248,854.57
Outstanding disbursements/unrecorded receipts: \$190,084.26
Adjusted bank balance: \$248,854.57
Outstanding receipts: \$27,211.93
Trial Balance end of month balance: \$276,066.50

The Board reviewed the following make-up/buyback requests:
None

The Board reviewed the following correspondence:
PERAC Memo #20 Mandatory Retirement Board Member Training – 4th Qtr
PERAC Memo #21 Upcoming Public Hearings on PERAC Regulations
PERAC Memo #22 Appropriation Data Due October 31, 2023

Old Business

The Board continued its review of proposals for custodial/master trust services received from Comerica Bank and Wilmington Trust/M&T Bank. The Administrator opened and distributed the fee proposals following the special meeting held to rank the proposals on October 17, 2023.

There was a brief discussion on the proposed fees of the two firms. Each member ranked the proposed fees with the same score. Comerica Bank, coming in slightly under, was determined to be “highly advantageous” in terms of its proposed fees. Wilmington Trust/M&T Bank was determined to be “advantageous” in terms of its proposed fees.

The Administrator added the fee rankings of each board member to the combined ranking sheet. Wilmington Trust/M&T received the best overall score. Board members all agreed that the firm’s experience working with Massachusetts retirement systems significantly outweighed that of Comerica Bank.

The Administrator spoke regarding the last seven years working with Anthony Teberio under the current contract, noting that there had been no problems and his reporting had been accurate and timely.

Upon final review of the proposals, on a motion made by Ms. Karpinski and seconded by Mr. Sullivan the Board voted unanimously by roll call (5-0) to award a seven-year contract renewal for custodial/master trust services to Wilmington Trust/M&T Bank commencing January 1, 2024 (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Sullivan: Yes, Suprenant: Yes).

The Board discussed the business of appointing an individual to serve as the “fifth” board member for the upcoming term. The current term expires on February 4, 2024. Mr. Sullivan has held the position since 2009. He was the sole applicant to respond to last month’s position posting.

Ms. Suprenant noted she was glad Mr. Sullivan was interested in continuing as the fifth member. Ms. Karpinski stated that she was pleased to support his reappointment and that she had valued his input and guidance over the years. Ms. Nardi echoed the sentiments.

Mr. Sullivan thanked the Board for considering his application and expressed his appreciation for the opportunity to continue to serve.

On a motion made by Ms. Suprenant and seconded by Ms. Lafleche, the Board voted unanimously by roll call (4-0) to reappoint Mr. Sullivan to a three-year term commencing February 5, 2024 (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Suprenant: Yes). Mr. Sullivan abstained.

Members of the Board congratulated Mr. Sullivan on his reappointment.

Other Business

None

Adjournment

On a motion made by Mr. Sullivan and seconded by Ms. Lafleche, the Board voted unanimously (5-0) by roll call to adjourn the meeting at 3:25 p.m. (Karpinski: Yes, Lafleche: Yes, Nardi: Yes, Sullivan: Yes, Suprenant: Yes).

The next regular meeting is scheduled for Tuesday, November 28, 2023 at 1:30 p.m. via Zoom.

Respectfully Submitted,

Retirement Administrator

APPROVED BY THE NORTHAMPTON RETIREMENT BOARD ON 11/28/2023

APPROVED:

_____ **Charlene Nardi, Chairperson**

_____ **Joyce Karpinski**

_____ **Karen Lafleche**

_____ **Thomas Sullivan**

_____ **Tammy Suprenant**