

**CITY OF ROCKVILLE**  
**Retirement Board**

DATE: May 13, 2022

LOCATION: Video/Teleconference on WebEx

TIME: 10:00 a.m.

**Board Meeting**  
**MINUTES**

PRESENT: Board Members: Mikhail Sukhenko (Interim Chair) and Mike Walsh, Citizen Representatives; Paula Perez, AAME Representative; Karen Marshall, Human Resources representing the City Manager; Councilmember Beryl Feinberg, Mayor and Council Representative.  
Executive Secretary to the Board: Stacey Webster, City of Rockville CFO

ABSENT: Sgt. Chris Peck, FOP Representative; Greg Satterfield, Union Representative

*Also on the call: Tim Peifer and Xiaojing Zhang, Finance; Daisy Harley, Human Resources; Ryen Sherman and Christian Sevier from Segal Marco Advisors; Chung Hei Sing, Rockville resident; Gar Chung, FIN News; Joe Ebisa, WithIntelligence.*

The meeting was called to order to 10:00 a.m.

I. Welcome Mr. Walsh and Introduction of Board Members

The Board introduced themselves to Mr. Walsh. Mr. Walsh introduced himself. He has a background in public accounting, with experience in retirement funds.

II. Approval of Minutes

Ms. Marshall made a motion to approve the minutes from February 11, 2022. Councilmember Feinberg seconded the motion. All members voted in favor (5-0-0).

III. Pension Plan and Retiree Benefit Trust Asset Allocation

Mr. Sherman presented an asset allocation analysis for the Pension Fund (beginning on PDF page 11), including the current Policy allocation mix, as well as some alternative allocation mixes for consideration. Mr. Sherman explained that, based on Segal Marco's long term capital market projections, the Fund's current Policy allocation mix is expected to exceed the Fund's current actuarial assumed rate of return of 6.75% on a 20-year, arithmetic basis. The alternative allocations presented included a more conservative asset allocation mix, a more aggressive

asset allocation mix, and an allocation mix incorporating private equity investments. After further discussion, the Board decided to maintain the existing asset allocation Policy mix.

Mr. Sherman then presented an asset allocation analysis for the Retiree Benefit Trust (beginning on PDF page 17), including the current Policy allocation, the Trust's allocation as of the end of the first quarter of 2022, and one alternative allocation mix incorporating multi-asset class solutions (MACS). Mr. Sherman noted that the Trust's increased size and currently limited manager lineup were reasonable considerations for a decision to move the portfolio towards an asset mix that incorporates an additional asset class and manager. After further discussion, Councilmember Feinberg made a motion to move from the current policy to add MACS as a new asset class at a 5% target allocation. Ms. Marshall seconded the motion. All members voted in favor (5-0-0).

Mr. Sherman asked if the Board would like to hire the same manager and investment strategy currently in the Pension Fund portfolio (the Invesco Balanced Risk Allocation fund), based on its performance track record and competitive fees. Councilmember Feinberg made a motion to hire Invesco for the MACS. Ms. Perez seconded the motion. All members voted in favor (5-0-0). Segal Marco agreed to coordinate with the Board's Executive Secretary to update the Trust's Investment Policy Statement to reflect the new asset allocation mix and to add the Invesco investment.

#### IV. Investment Performance Review

Following an overview of the markets by Mr. Sherman, Mr. Sevier moved to the Pension Fund (beginning on PDF page 53), which, along with the markets in general, had a difficult first quarter, returning -3.5% vs the Policy Index of -2.7%. The Fund's asset allocation is in compliance with its Policy, although slightly underweight to equities and fixed income. The March 31 market value was approximately \$130.6M. The managers are performing in line with expectations. As was noted during the previous meeting, the Fund's exposure to hard/real assets like real estate, commodities, and other inflation sensitive investments have been valuable in the current inflationary environment.

For the Thrift and 457 review (beginning on PDF page 145) Defined Contribution Plan assets total \$91.7M and the American Funds target date series represents about 40% of total assets. Mr. Sevier discussed the recent underperformance of the Western Asset Core Plus Bond investment, noting that Western is still a high conviction manager for Segal Marco and its longer-term performance record is still strong. Mr. Sevier also reviewed performance for the Invesco Developing Markets fund, noting its continued weakness in the first quarter, and reiterated that Segal Marco will continue to monitor the investment and update the Board should there be any negative developments regarding personnel or investment strategy.

*(Councilmember Feinberg departed at 11:00 am for an appointment—she mentioned this to the Board prior to the start of the meeting)*

Next, Mr. Sevier reported that there had been a fundamental change to the Voya Small Company fund investment team and strategy and that Segal Marco's equity research team recently issued a "Sell" rating on the fund. Considering these developments, the Board authorized Segal Marco to initiate a replacement search and present alternative small cap core equity fund options for its consideration at the next Board meeting. Ms. Marshall made the motion and Mr. Walsh seconded the motion. All voted in favor (4-0-0).

For the Retiree Benefit Trust (beginning on PDF page 242), total assets equal approximately \$11.4M as of March 31, 2022, and had a return of -11.5% for the first quarter vs the Policy Index return of -5.5%. The Trust remains overweight global equities, offset by an underweight to fixed income. The portfolio will be rebalanced towards the new Policy targets, which will also incorporate the new MACS asset class. Mr. Sevier noted that relative underperformance for the Harding Loevner global equity fund was due in part to certain growth stocks in the portfolio, but that the fund's longer term performance record was still strong and not fully reflected in the report, given a previous move to a lower fee share class of the fund in September of 2020.

Mr. Walsh asked if Segal regularly reviews the fee schedules/expense ratios. Mr. Sevier said that they work with the record keeper and continually evaluate the most efficient share classes. Mr. Sevier also noted that actively management funds will have higher expense ratios as compared to passively managed funds.

#### V. Format of Future Board Meetings

Ms. Webster highlighted Ordinance 3-22 that was adopted by the Mayor and Council on January 24, 2022. The Ordinance states that city contractors who are required to enter a city facility and perform a service or deliver a good that brings them into close proximity with staff, officials, and members of the public, to provide proof of COVID-19 vaccination before entering a city facility. Additionally, all members of City boards, commissions, task forces, and committees who enter a city facility in their capacity as a member or commissioner, are required to provide proof of COVID-19 vaccination before entering a city facility.

Ms. Webster asked if the Board would like to remain remote for the September meeting. She recommended that the meeting be either fully in person or fully remote. She also mentioned that the Board could chose to remain remote for the September meeting and then re-evaluate at that time.

Mr. Sukhenko would like to meet in person. Mr. Walsh would like to meet in person. Ms. Marshall asked the Board to table the discussion until the September meeting. All members agreed that the September meeting will be remote and that they will discuss future meetings at that time.

Adjournment – Ms. Perez made a motion to adjourn. Ms. Marshall seconded the motion. All members voted in favor (4-0-0). The meeting adjourned at 11:14 a.m.