Retirement Plan Sub-Committee

Regular Meeting
May 5, 2026 – 8:00 A.M.
Virtual on Zoom

Minutes

I. CALL TO ORDER- Retirement Plan Sub-Committee Chair Art Wallace called the meeting to order at 8:00 A.M.

Present: Committee Members: Selectman Steven Antonio, Board of Finance Chair Lisa Heavner, Deputy Finance Director, Kelsey Chamberlain; Member at Large, Philip Schulz; and Fiducient Advisors: Chris Kachmar, and Tyler Polk.

II. PENSIONS PLANS & OPEB TRUST FIRST QUARTER 2026 & PERFROMANCE REVIEWS AND FIDUCIARY GOVERNANCE UPDATE

Mr. Kachmar provided an overview of current market conditions, noting increased volatility related to geopolitical events, inflation, energy prices, and uncertainty regarding Federal Reserve policy. Despite the volatility, markets had stabilized, corporate earnings remained strong, and longer-term investment results continued to be favorable.

The Committee reviewed the Pension Plan Investment Policy Statements. Mr. Kachmar reported that the policies remain appropriate and that no changes are recommended. He also noted that the Committee's governance practices, including regular meetings, documentation, and oversight, remain in good order.

Overall pension performance was reviewed. The one-year return remained above 12%, and longer-term returns continued to exceed actuarial return expectations. Fixed-income managers continued to add value, while international equity and real asset investments generally performed as expected.

The Committee discussed the recent underperformance of the Neuberger Berman small-cap strategy. Mr. Kachmar explained that the manager's quality-oriented investment approach has been challenged by recent market conditions, although its longer-term record has been stronger. The Committee agreed that, given the duration of the underperformance, a more detailed review would be appropriate.

Action: A deeper review of Neuberger Berman at the August meeting and provide additional information on performance and fees.

The Committee was also informed that the Bearings real estate investment has been placed on watch status due to changes in its portfolio management team. No immediate action was recommended.

III. DEFIND CONTRIBUTION PLANS FIRST QUARTER 2026 PERFORMANCE REVIEWS AND FIDUCIARY GOVERNANCE UPDATE

Mr. Polk reviewed the defined contribution plans with a focus on fees and expenses. He reported that the plans' recordkeeping costs compare favorably with similar plans and that the overall fee structure is reasonable.

The Committee discussed Collective Investment Trusts (CITs) as potential lower-cost alternatives to certain mutual funds. The estimated savings under the current arrangement are approximately $1,200 annually. Because the savings are relatively modest, no immediate change was recommended.

Action: CITs will be discussed in greater detail at a future meeting, including costs, potential savings, and administrative considerations.

Mr. Polk also discussed the possibility of moving from a 3(21) advisory arrangement to a 3(38) arrangement, which could provide access to lower-cost institutional target-date funds but would give the investment advisor greater discretion over the investments.

Action: The Committee will further discuss the potential 3(38) arrangement at the next meeting.

The defined contribution investment lineup was also reviewed. The target-date funds have experienced some recent weakness but continue to show strong long-term results. The T. Rowe Price Growth Stock Fund remains on watch due to recent underperformance and the departure of its portfolio manager. No immediate investment changes were recommended.

The Committee discussed whether municipalities could combine or pool retirement-plan assets to obtain lower fees. Tyler explained that pooled arrangements are more common in the corporate retirement market but are less common among municipalities and other non-ERISA plans. Relationship pricing among municipalities may provide an alternative approach, and the Committee agreed to continue monitoring this opportunity.

The Committee discussed the actuary's recommendation to conduct a pension experience study this year. The study is typically performed every three to five years and will help determine whether the Town's actuarial assumptions remain appropriate and whether pension contributions are adequate.

The Committee expressed support for proceeding with the study. The Board of Finance expects to obtain estimates and, if possible, complete the study by December for use in the next budget cycle.

The Committee discussed a proposed change to the OPEB investment structure. The OPEB assets are currently invested in exchange-traded index funds. As the trust has grown, institutional index funds have become available that provide similar investment exposure at a lower cost.

The proposed conversion would not change the overall investment strategy but could reduce investment expenses from approximately 18 basis points to 4 basis points. The estimated one-time transaction cost is approximately $11,000.

Because the Committee is advisory, the formal approval must come from the Board of Finance. The Committee agreed that the proposal should be presented at the September Board of Finance meeting.

Action: Mr. Kachmar will attend the September Board of Finance meeting to present the OPEB investment proposal, and staff will coordinate with the appropriate Committee members.

IV. ADJOURNMENT

The next regular Committee meeting is scheduled for September 1.

There being no further business, the meeting was adjourned at 8:54 A.M.

Respectfully submitted,

Kelsey Chamberlain
Deputy Finance Director