

City of Newport Trust & Investment Commission

Annual Report for 2024



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Background

- The Trust & Investment Commission oversees investment of all pension funds and other assets held in trust by the City (City Ordinance Chapter 2.84):
 1. Police and Fire Pension Plans
 2. Scholarship & Trust
 3. Other Post Employment Benefits (“OPEB”)
- The commission meets to review asset performance and discuss other issues following each calendar quarter
 - Dahab Associates provides asset consulting services and monitors investment performance for the commission
 - Investment policy statements (IPS) have been established for each of the 3 funds
 - Provides disciplined guidelines to ensure consistently well-diversified portfolios
 - Commission periodically reviews and amends IPS when appropriate
 - Fund managers that don’t meet the commission’s expectations based on the IPS criteria are put on a “watch list”
- Members: Patrick Sheerin (Chairperson), Ken Nomiya (Secretary), Harry Elkin, David Galvin, and Meg Dodge

2024 Meeting Dates, Key Agenda Items, and Attendance

- The Commission is required to meet quarterly
 - The Commission met 5 times during 2024
- **February 14, 2024:**
 - Regular quarterly meeting to review 4th Q 2023 performance
 - Reviewed 4th Q 2023 performance and asset allocations of each fund relative to investment policy statement targets
 - Performance of all three managed portfolios were positive for Q4 2023: Pensions 8.8%, OPEB 9.7%, Scholarship & Trusts 10.7% (all gross)
 - Performance for 1 year, 5 year, and 10 year periods ranked, for the most part, well within the top 20 percentile
 - Asset allocations were reviewed
 - All members were present

2024 Meeting Dates, Key Agenda Items, and Attendance

■ May 15, 2024

- Regular quarterly meeting to meet with Pension & OPEB actuary (USI Consulting) and review 1st Q 2024 performance
- Reviewed actuarial valuation results as of July 1, 2023 including review of funded ratios (Police Pension 77.9%), Fire Pension (66.8%), and OPEB (55.8%)
 - Police Pension funded ration decreased from 2023 due to settlement of Police union contract leading to COLA and salary increases reflected in 7/1/2023 valuation
- Reviewed Q1 2023 performance - All indices were up
- Monitored asset allocations to ensure continue to stay within IPS guidelines
- Per directive from Finance, withdrawals were approved from large cap asset class (\$2.0m Pension; \$1.0m OPEB; \$0.5m Scholarship and Trust)
- 30% capital call for TA Realty (real estate investment fund): approved \$1.5m transfer from large cap growth
- Discussed lagging performance of ClearBridge Investments; decision to initiate small cap core manager search to replace them
- Will continue to make efforts to obtain up-to-date plan and trust documents
- All members were present, except Meg Dodge

2024 Meeting Dates, Key Agenda Items, and Attendance (cont'd)

■ August 14, 2024

- Regular quarterly meeting to review 2nd Q 2024 performance
- Reviewed Q2 2024 performance and outlook;
- All funds resulted in positive gains for Q2 2024:
 - Pensions 0.9%; OPEB 2.0%; and Scholarship & Trusts 1.3%
- For 10 year period funds ranked in top 16% (Pensions); 8% (OPEB), and 11% (Scholarship & Trusts)
- Reviewed asset allocations
- Discussed significant gain from TA Realty Fund XII for OPEB
- Scheduled special interim meeting on October 9th to review small cap core managers finalists from RFP
- Discussed need to obtain form plan documents and trust agreements for each plan
- Discussed ESG (Environmental, Social and Governance) investing; no action taken
- All members were present

■ October 9, 2024

- Special interim meeting to review small cap core fund manager finalists to replace ClearBridge Investments
- Presentations from Fiduciary Management, Inc., Copeland Capital Management, and Chatham Capital
- Approved appointment of Fiduciary Management to manage Pension (approx. \$13.0 MM) and OPEB (approx. \$5.0MM)
- Approved appointment of Chatham Capital for Scholarship & Trusts (approx. \$3.0MM)

2024 Meeting Dates, Key Agenda Items, and Attendance (cont'd)

■ November 20, 2024:

- Regular quarterly meeting to review 3rd Q 2024 performance;
- Reviewed Q3 2024 performance and outlook:
- All funds resulted in positive gains for Q3 2024:
 - Pensions 5.5%; OPEB 5.6%; and Scholarship & Trusts 6.2%
- For 10 year period funds ranked in top 13% (Pensions); 8% (OPEB), and 10% (Scholarship & Trusts)
- Continued to monitor asset allocations to ensure in line with investment policy statements
- Requested Finance Department to update its listing of various Scholarship & Trust funds, including dollar amounts
- All members were present except Meg Dodge

Summary of Assets and Performance

Market Value of Assets as of 6/30/2023 and 6/30/2024 *				
	Fire & Police Pension	Scholarship & Trust	OPEB	Total
6/30/2023	\$174,231,913	\$18,234,538	\$66,480,124	\$258,946,575
6/30/2024	\$193,447,650	\$20,286,348	\$74,093,981	\$287,827,979

* See next page for details

■ Performance highlights - calendar year to date through December 31, 2024

Calendar YTD Returns as of 12/31/2024	Portfolio Return	Benchmark Return
Fire & Police Pension	12.5%	12.9%
Scholarship & Trust	15.6%	15.2%
OPEB	14.9%	13.8%

Market Values of Assets per Fund as of June 30, 2024

Total of all accounts: \$287,827,979	Police & Fire Pension		Scholarship & Trust		OPEB Trust	
	Market Value	%	Market Value	%	Market Value	%
Large Cap						
Vanguard Large Cap Index	27,394,468	14.2%	4,248,241	20.9%	10,508,306	14.2%
Vanguard Growth Index	26,061,954	13.5%	3,779,008	18.6%	11,628,478	15.7%
Midcap						
Vanguard Mid Cap Index	33,383,660	17.3%	3,223,371	15.9%	13,704,766	18.5%
Small Cap						
Clearbridge Investments Small Cap	12,061,078	6.2%	3,046,217	15.0%	4,704,021	6.3%
Pier Capital Small Cap Growth	20,485,256	10.6%	-	-	6,816,984	9.2%
Domestic Equity Total	\$119,386,416	61.7%	\$14,296,837	70.5%	\$47,362,555	63.9%
Earnest Partners	11,064,430	5.7%	-	-	-	-
Vanguard Total Int'l Stock Index	10,724,383	5.5%	-	-	8,178,511	11.0%
International Equity Total	\$21,788,813	11.3%	\$0	0.0%	\$8,178,511	11.0%
Intercontinental US Real Estate	5,148,193	2.7%	-	-	2,574,097	3.5%
Principal Enhanced Property Fund	3,082,275	1.6%	-	-	1,541,138	2.1%
TA Realty*	9,014,564	4.7%	-	-	3,129,532	-
UBS Trumbull Property Fund	5,880,257	3.0%	-	-	1,547,436	2.1%
Hancock Timberland XI	3,442,076	1.8%	-	-	983,453	1.3%
Real Estate Total	\$26,567,365	13.7%	\$0	0.0%	\$9,775,656	13.2%
IRM Core Bond	10,683,250	5.5%	2,481,160	12.2%	4,162,456	5.6%
Loomis Sayles**	13,343,697	6.9%	3,504,620	17.3%	4,454,299	6.0%
Fixed Income Total	\$24,026,947	12.4%	\$5,985,780	29.5%	\$8,616,755	11.6%
Cash Account	1,678,109	0.9%	3,731	0.0%	160,504	0.2%
Portfolio Total	\$193,447,650	100.0%	\$20,286,348	100.0%	\$74,093,981	100.0%

* TA Realty Core Property Fund for Pension; TA Realty Value-Add Fund XIII for OPEB

** Loomis Core Plus Full Discretion for Pension; Loomis Sayles Investment Grade Fixed for Scholarship Trust and OPEB.

CITY OF NEWPORT - RETURNS THROUGH 6/30/2024

	Quarter	One Year	Three Years*	Five Years*
City of Newport - Pension Plan	0.9	11.1	1.7	8.0
<i>Pension Manager Shadow Index</i>	<i>0.8</i>	<i>11.3</i>	<i>1.5</i>	<i>7.6</i>
City of Newport - Scholarship Trust	1.3	14.3	2.9	8.2
<i>Scholarship Manager Shadow Index</i>	<i>1.5</i>	<i>14.7</i>	<i>2.4</i>	<i>8.0</i>
City of Newport - OPEB Plan	2.0	13.7	3.5	9.1
<i>OPEB Manager Shadow Index</i>	<i>1.0</i>	<i>12.9</i>	<i>2.4</i>	<i>8.2</i>

**Returns for periods greater than one year are annualized.*

The Manager Shadow Index is a weighted average return of each manager's benchmark, using each manager's allocation at the start of the month as a weighting basis.

CITY OF NEWPORT - RETURNS THROUGH 6/30/2024

	Quarter	One Year	Three Years*	Five Years*
Vanguard Large Cap Index	4.3	25.0	9.2	---
<i>CRSP U.S. Large Cap Index</i>	4.3	24.9	9.2	14.9
Vanguard Growth Index	8.7	32.8	10.0	18.8
<i>CRSP U.S. Large Cap Growth Index</i>	8.7	32.8	9.9	18.8
Vanguard Mid Cap Index	-2.7	11.9	2.3	9.4
<i>CRSP U.S. Mid Cap Index</i>	-2.7	11.8	2.2	9.4
Clearbridge Small Cap	-4.7	2.2	-2.8	4.9
<i>Russell 2000 Index</i>	-3.3	10.1	-2.6	6.9
Pier Capital Small Cap	-1.0	11.0	-4.0	9.8
<i>Russell 2000 Growth Index</i>	-2.9	9.1	-4.9	6.2
Earnest Partners International Equity	-0.2	11.2	3.1	8.4
<i>MSCI All Country World Ex-US</i>	1.2	12.2	1.0	6.1
Vanguard Total International Stock Index Fund	0.8	11.1	0.4	5.9
<i>FTSE Global All Cap Ex-US Index</i>	1.0	12.0	0.8	6.2
Intercontinental US Real Estate	-0.1	-10.9	0.5	3.2
Principal Enhanced Property Fund	0.7	-5.4	4.5	5.7
TA Realty Core Property Fund, LP (Pension)	0.4	-7.3	---	---
TA Realty Value-Add Fund XIII, LP (OPEB)	55.4	---	---	---
UBS Trumbull Property Fund	-0.9	-7.8	-0.7	-0.2
<i>NCREIF ODCE</i>	-0.4	-9.3	1.9	3.2
Hancock Timberland XI	-0.2	5.9	7.8	6.0
<i>NCREIF Timber</i>	1.7	9.2	10.8	7.0
IRM Core Bond	0.2	3.3	-2.5	0.6
Loomis Sayles (Pension)	0.5	6.1	-1.1	2.2
Loomis Sayles (Scholarship & OPEB)	0.4	6.2	-0.8	1.6
<i>Bloomberg Aggregate Index</i>	0.1	2.6	-3.0	-0.2

*Returns for periods greater than one year are annualized.

Market Values of Assets per Fund as of December 31, 2024

Total of all accounts: \$301,524,326	Police & Fire Pension		Scholarship & Trust		OPEB Trust	
	Market Value	%	Market Value	%	Market Value	%
Large Cap						
Vanguard Large Cap Index	\$ 27,529,509	13.7%	\$ 4,056,426	19.0%	11,419,875	14.5%
Vanguard Growth Index	\$ 28,693,264	14.2%	\$ 4,160,551	19.5%	12,802,531	16.2%
Midcap						
Vanguard Mid Cap Index	\$ 36,673,446	18.2%	\$ 3,541,017	16.6%	15,055,299	19.1%
Small Cap						
Fiduciary Management Small Cap	\$ 12,419,530	6.2%	\$ 3,411,915	16.0%	\$ 5,177,044	6.6%
Pier Capital Small Cap Growth	\$ 22,333,131	11.1%	-		\$ 7,431,911	9.4%
Domestic Equity Total	\$127,648,880	63.4%	\$15,169,909	71.2%	\$51,886,660	65.8%
Earnest Partners	\$ 11,197,630	5.6%	-		-	
Vanguard Total Int'l Stock Index	\$ 10,728,207	5.3%	-		\$ 8,181,427	10.4%
International Equity Total	\$21,925,837	10.9%	\$0	0.0%	\$8,181,427	10.4%
Intercontinental US Real Estate	\$ 5,105,331	2.5%	-		\$ 2,552,665	3.2%
Principal Enhanced Property Fund	\$ 3,133,558	1.6%	-		\$ 1,566,779	2.0%
TA Realty*	\$ 9,164,426	4.6%	-		\$ 3,198,818	4.1%
UBS Trumbull Property Fund	\$ 5,917,405	2.9%	-		\$ 1,557,212	2.0%
Hancock Timberland XI	\$ 3,432,328	1.7%	-		\$ 980,667	1.2%
Real Estate Total	\$26,753,048	13.3%	\$0	0.0%	\$9,856,141	12.5%
IRM Core Bond	\$ 10,913,615	5.4%	\$ 2,534,662	11.9%	\$ 4,252,212	5.4%
Loomis Sayles**	\$ 13,677,974	6.8%	\$ 3,591,204	16.9%	\$ 4,564,345	5.8%
Fixed Income Total	\$24,591,589	12.2%	\$6,125,866	28.8%	\$8,816,557	11.2%
Cash Account	\$ 483,112	0.2%	\$ 4,266	0.0%	\$ 81,034	0.1%
Portfolio Total	\$201,402,466	100.0%	\$21,300,041	100.0%	\$78,821,819	100.0%

* TA Realty Core Property Fund for Pension; TA Realty Value-Add Fund XIII for OPEB

** Loomis Core Plus Full Discretion for Pension; Loomis Sayles Investment Grade Fixed for Scholarship Trust and OPEB.

CITY OF NEWPORT - RETURNS THROUGH 12/31/2024

	Quarter	One Year	Three Years*	Five Years*
City of Newport - Pension Plan	0.5	12.5	1.8	7.9
<i>Pension Manager Shadow Index</i>	<i>0.4</i>	<i>12.9</i>	<i>1.9</i>	<i>7.5</i>
City of Newport - Scholarship Trust	1.5	15.6	3.7	8.3
<i>Scholarship Manager Shadow Index</i>	<i>1.0</i>	<i>15.2</i>	<i>3.1</i>	<i>8.1</i>
City of Newport - OPEB Plan	0.8	14.9	3.7	9.0
<i>OPEB Manager Shadow Index</i>	<i>0.5</i>	<i>13.8</i>	<i>2.7</i>	<i>8.1</i>

**Returns for periods greater than one year are annualized.*

The Manager Shadow Index is a weighted average return of each manager's benchmark, using each manager's allocation at the start of the month as a weighting basis.

CITY OF NEWPORT - RETURNS THROUGH 12/31/2024

	Quarter	One Year	Three Years*	Five Years*
Vanguard Large Cap Index	2.8	25.2	8.6	---
<i>CRSP U.S. Large Cap Index</i>	2.8	25.2	8.6	14.5
Vanguard Growth Index	7.0	32.7	9.2	18.4
<i>CRSP U.S. Large Cap Growth Index</i>	7.0	32.7	9.2	18.4
Vanguard Mid Cap Index	0.5	15.3	2.9	9.9
<i>CRSP U.S. Mid Cap Index</i>	0.5	15.2	2.8	9.9
Fiduciary Management Small Cap (Pension)	---	---	---	---
Fiduciary Management Small Cap (OPEB)	---	---	---	---
Chatham Capital Group Small Cap (Scholarship)	---	---	---	---
<i>Russell 2000 Index</i>	0.3	11.5	1.2	7.4
Pier Capital Small Cap	3.2	15.1	-0.3	11.9
<i>Russell 2000 Growth Index</i>	1.7	15.2	0.2	6.9
Earnest Partners	-4.8	6.4	3.4	7.3
<i>MSCI ACWI ex-US Index</i>	-7.5	6.1	1.3	4.6
Vanguard Total Int'l Stock	-7.4	5.3	0.8	4.4
<i>FTSE Global All Cap Ex-US Index</i>	-7.8	4.2	0.6	4.4
Intercontinental US Real Estate	0.6	-4.2	-4.5	1.9
Principal Enhanced Property Fund	1.5	2.0	-0.3	5.2
TA Realty Core Property Fund, LP (Pension)	1.6	1.3	---	---
TA Realty Value-Add Fund XIII, LP (OPEB)	0.0	51.0	---	---
UBS Trumbull Property Fund	1.0	-1.6	-3.9	-0.2
<i>NCREIF ODCE</i>	0.0	-2.6	-2.7	2.6
Hancock Timberland XI	0.0	0.4	4.6	5.0
<i>NCREIF Timber</i>	0.0	5.5	9.0	7.3
IRM Core Bond	-2.9	1.9	-1.8	0.5
Loomis Sayles (Pension)	-3.0	3.3	-0.3	2.2
Loomis Sayles (Scholarship & OPEB)	-2.8	3.6	-0.2	1.6
<i>Bloomberg Aggregate Index</i>	-3.1	1.2	-2.4	-0.3

*Returns for periods greater than one year are annualized. December 2023 performance is preliminary and subject to revision.

Portfolio Analysis – Summary of Performance

- As of June 30, 2024, the Pension Plan grew at a rate of 8% over the trailing five-year period, earning a rank in the top **29th percentile among public funds**.
- As of December 31, the Pension Fund's 5-year return was 7.9%.
- Active manager results were mixed: Clearbridge and Earnest Partners fell short of their benchmarks, but the fixed income managers, Loomis and IR&M both exceeded the Aggregate Bond Index.
- Within the real estate segment through fiscal year end, performance of the asset class as measured by the NCREIF NFI-ODCE Index declined by 9.3%. Principal, TA Realty, and UBS were able to mitigate losses relative to the benchmark, but Intercontinental was below the index return.
- Timber returns were positive, but the Manulife Hancock Timberland XI Fund returned below its benchmark.
- Passive managers (Index funds) were in line with their respective indices, except for the Vanguard Total International Stock Index. *(It is not uncommon for international equity index funds to demonstrate some tracking error).*

Funding Policy, Actuarial Valuation Results and Annual Contribution¹

- Funding policy for pension plans and retiree medical plans (OPEB)
 - The city developed funding policies to fund the unfunded liability over 30-year amortization period
 - Pension Plans: began in FY ending 6/30/1997 (beginning with 7/1/2002, the 30-year period is to be reduced by one-year each year)
 - OPEB: began in FY ending 6/30/2007
 - The pension funding policies are intended to satisfy GASB statement No. 27 disclosure requirements.

Basic Valuation Results	July 1, 2023 Valuation			July 1, 2022 Valuation		
	Police	Fire	Post-retirement Medical (OPEB)	Police	Fire	Post-retirement Medical (OPEB)
1. Normal Cost (Gross)	\$1,083,312	\$1,770,050	\$1,592,390	\$1,212,699	\$1,635,879	\$1,613,164
2. Actuarial Accrued Liability (AAL)	122,444,718	130,224,834	120,696,806	112,951,073	127,835,177	122,435,115
3. Actuarial Value of Assets	95,422,549	87,044,335	67,332,921	93,352,177	81,822,158	65,818,087
4. Unfunded AAL (2-3)	27,022,169	43,180,499	53,363,885	19,598,896	46,013,019	56,617,028
5. % Funded (3 / 2)	77.9%	66.8%	55.8%	82.6%	64.0%	53.8%
Annual Contribution	Fiscal Year Ending 6/30/2025 (6/30/24 for OPEB)			Fiscal Year Ending 6/30/2024 (6/30/23 for OPEB)		
City contribution	\$4,810,345	\$7,670,436	\$6,488,059	\$3,853,840	\$7,461,283	\$6,569,233

¹ Based on actuarial valuation reports prepared by Hooker & Holcombe. Note the July 1, 2023 valuation for Police and Fire Pension produces the contribution for fiscal year ending 2025.

2025 Meeting Dates

- The following are the regularly scheduled meeting dates for 2025:
 - February 19th (4th quarter 2024 performance)
 - May 21st (1st quarter 2025 performance)
 - August 20th (2nd quarter performance)
 - November 19th (3rd quarter performance)