

Old Saybrook Pension and Benefits Board
Regular Meeting, February 26, 2015
Meeting Minutes
Conference Room Town Hall

Members present: Suzanne Taylor, Ray Muratori, Carl Fortuna, Lynn Dallas

Conference call members: Paul Tracey, Carol Voigt

Absent members: Eileen Torrenti

Others: Tom Forma and Kevin Nichols (Morgan Stanley), Chris Quinson (Invesco), Sharon Migliaccio

Meeting was called to order at 7:10

Welcome:

Suzanne Taylor introduced and welcomed new member Lynn Dallas to the Old Saybrook Pension and Benefits Board.

Chair's Report:

Old Saybrook Fire Department recently lost a past chief, David Heiney. We are very sorry for the loss. JT Dunn assisted Chief Heiney's spouse with applying for the survivor benefit. The calculation was made by Steve Lemanski at Milliman. Mrs. Heiney is scheduled to receive the benefits effective immediately.

In addition to the above request, there was a new request for return of funds by a former dispatcher. That person decided to roll their pension into an IRA.

Suzanne Taylor shared an article with the group regarding defined benefit plans assets outweighing the negatives. Defined benefit plans are what retirement plans are built on in the public sector.

Investment Reports:

Tom Forma introduced Chris Quinson, Regional Vice President of Invesco. Chris thanked the group for the opportunity to speak and spoke about the "investment philosophy" of Invesco. The management team doesn't worry about the macro events and the small things. They are "benchmark agnostic" and are looking for attractive companies that have done well over a three year period. They are looking for 'EQV' – Earnings, Quality and Valuation. Invesco has been listed in Baron's in the Top 5 of the Best Mutual Funds in the One Year, Five Year and Ten Year. The same 15 members have been with the company for a long time. Invesco has had 3% growth while the index was -2.7%.

Chris shared a booklet titled The 4th Quarter 2014 Invesco International ADR Growth Portfolio. Chris reviewed some of the information contained in this document – in particular how Invesco has distributed its investments by country. Paul Tracey asked about the percent invested in Europe. Ray Muratori asked about investments in Israel. Suzanne Taylor asked about investments in Germany. Chris went on to explain again that Invesco investments are decided company by company. Chris Quinson thanked the Pension Board for inviting him to speak tonight and then left the meeting. Tom Forma and Kevin Nichols then shared the investment reports that had been sent out ahead of time as requested at the last meeting. It was discovered that some did not receive their documents and plans to do the same for next month was agreed on with address corrections as needed.

Of note is that the fund is now above \$20million.

Good news was shared as The Forma Group now has all of the historic data as had been previously requested. It will take some time for The Forma Group to compile the data into meaningful reports as Morgan Stanley is utilizing a new reporting system and there is a learning curve.

John Hancock was discussed and it was noted that they had had some trouble due to Qualcom issues. Both Tom Forma and Kevin Nichols like the managers at John Hancock and know that they are doing the right thing and making good risk decisions.

The Forma Group plans to have a representative from Eaton Vance at the March meeting.

As was discussed at the January meeting, a new Healthcare Manager needs to be selected. Paul Tracey spoke about the managers that were recommended at the last meeting. After reviewing the information provided, Paul Tracey stated that he was uncomfortable with Western Asset Management as the manager. As for Delaware and McDonnell it was a coin toss. Based on the information provided, Paul Tracey would go with McDonnell in particular because Delaware has a high turnover rate.

Kevin Nichols shared that Delaware is most similar to Lord Abbett. They do have a high turnover doing a lot of trades. The good points to note are 1. There are no fees on the trades and 2. Bond spreads have come in a lot – the cost has gone down. The spreads are tight. The government rate is 2%, their comparable rate is 2.5% - the spread is .50%.

Kevin Nichols also shared a reminder that this is a restricted investment because of the state statute – can only have 50% in **stocks**.

Tom Forma added that Delaware also has mortgage pools – another tool in their tool belt. Their bond managers are working harder than the fund managers. **30%-70%** of Delaware investments are in the mortgage pools. He also stated that McDonnell has very good bond managers. When comparing the two choices, their performance summary reports are similar. He also added that should rates rise, Delaware will have the extra tool in their toolbox – the mortgage pools.

Carl Fortuna made a motion to hire the Delaware Fund as Healthcare Manager. Lynn Dallas seconded the motion. All voted in favor and the motion passed.

ICMA

Suzanne Taylor met with Laura from ICMA and reviewed the 2014 year end documents and learned that member fund investments are doing well. . Laura suggested that ICMA can present a special Plan Service Review and has agreed to attend our next meeting to do so.

Enrollment can now begin for the Roth type of a 457 plan. Available is an excellent explanatory video. Roths provide for tax free redemptions. It was noted that to increase the participation rate the Town of Old Saybrook may want to incent employees to open these accounts. More discussion will be held at the next meeting.

OLD BUSINESS

The Fire Department Summary Plan Description was presented for final review and distribution to members of the OSFD. There was a review of the front cover of the summary and several changes were noted that need to be made. It was also noted that copies of the Summary need to be sent to Paul Tracey and Carol Voigt. This will be done. It appears that only cover changes are needed.

BUDGET

Carl Fortuna reported that the general government budget shows an increase of only 1.8%, excluding debt and 3.2% including debt. Because of the Grand List growth, this will be the third lowest mill rate increase in 20 years! With his proposed budget, the mill rate will rise only .3%

The Pension and Benefit Board budget as submitted seems to be approved. Ultimately, if approved, the budget will go from \$35870 for 2014 to \$49670 for 2015. There was discussion about the study that needs to be done this year and who will fund that study. Carl Fortuna reports that the Board of Finance agrees in principal to pay for this study.

It was also noted that the proposed contribution to the pension plan will increase from 6.5% to 6.75%.

Re health Insurance: "If the excise tax, known as the Cadillac tax, comes into effect in any plan, the employer has the option to invest in a plan that does not cause the excise tax or the employee can choose to stay in the plan at their own expense". Further discussion of our current costs for health insurance will be reviewed next month, if possible.

Carl Fortuna brought up life insurance that has been provided by the Town of Old Saybrook to retirees. No one can find where it is written, but for years the Town has been providing this insurance. This is now becoming a problem because of the variety of policies that are out there – the premium rates have tripled. The idea has been spoken about that there be a written plan as to what life insurance the Town needs to provide – something such as "when an employee retires they are entitled to a policy that is equal to half of their salary, not to exceed x number of dollars". Or, a declining amount of life insurance based on age. The Board of Selectman may adopt a policy for life insurance to retirees – they will await a recommendation from the Pension and Benefits Board. The life insurance that has been provided is a "past practice" but not a benefit.

Carl Fortuna would like to standardize a policy that will save the town money. Several items need to be addressed:

- Who is covered?
- How much are they covered for?
- On what basis is that determined?

Also, under old business, is the question of a retiree coming back to work for the Town of Old Saybrook who is working under 1200 hours. It has been said that this position does not cost the Town more money to the plan. The Pension and Benefits Board has decided to allow this to continue.

The minutes from the January meeting were not able to be approved due to those in attendance not present at this meeting to make a quorum. This will need to be addressed next meeting.

Ray Muratori moved to adjourn the meeting. Carol Voigt seconded the motion. The meeting was adjourned at 9:25pm.

Respectfully submitted,

Kathy Duncan, Clerk