

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

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

Absent members: Eileen Torrenti, Paul Tracey, Carol Voigt

Others: Tom Forma (Morgan Stanley), Matthew Navins and Brian Arcara (Easton Vance), Laura Hancock and Mark Lasyone (ICMA-RC), Sharon Migliaccio

Meeting was called to order at 7:01

Welcome:

Suzanne Taylor welcomed the group and everyone introduced themselves.

Minutes of the February meeting: Carl Fortuna made a motion to accept the minutes from the February meeting. Lynn Dallas seconded the motion. All voted in favor and the minutes are approved.

The January minutes still have not been approved as we have not had a quorum of attendees from the January meeting. The board hopes to resolve this at the April meeting.

Chair's Report:

The next CPPF meeting will be May 6th in Cromwell at the Crown Plaza. Tom Forma and Laura Hancock both indicated that they will be at the meeting. Part of the meeting will include information on Fiduciary Best Practices as well as Active and Passive Investing.

Carol Voigt will attend this meeting. All are encouraged to attend. If you are interested, please let Sharon know.

Outreach to the Old Saybrook Fire Department: The Summary Plan Description (SPD) has been sent to all members of the OSFD with corrections as provided and approved by the Old Saybrook Pension and Benefits Board.

Health Insurance: There is new thought of a Defined Contribution Plan for health contributions. The idea is to give money to the employees and the employee then goes and gets their own health insurance. Discussions on this will continue.

Investment Reports:

ICMA-RC

Laura Hancock and Mark Lasyone were present from ICMA-RC. Laura Hancock presented the Plan Service Report for the Town of Old Saybrook for the 4th Quarter of 2014. The report was reviewed and important changes were noted. Laura explained that when an employee retires, they have a choice of plans from a Pre-Balanced Plan or a Plan that they structure themselves. Suzanne Taylor asked if the employees are confused by this type of plan as there are so many choices. Laura explained that it is her job to explain the choices to the employees. There is a series of questions that she asks them to help the employee be comfortable with their retirement plan.

It was asked if any employees have enrolled in the automatic deduction for the Roth IRA. Laura indicated that no employees have done that yet. Laura is available to provide information to employees about their choices now for planning for retirement. The Town will provide a message to employees encouraging them to meet with Laura Hancock

to help them plan for their retirement. There is high technology and Laura is there to provide assisted, personalized attention. The subject was brought up again regarding how to get more employees involved in the plan. Again, it was mentioned that some towns are offering a “match” plan where if the employee enrolls in a new retirement account, that the town will match a certain dollar amount – anywhere from \$25 and up – to incent the employee to enroll.

Automatic enrollment of new employees was discussed again. If the employee chooses not to enroll, the employee would have to sign a document stating that they choose not to enroll at this time – relieves a burden to the town that the employee was informed. Another option to get more enrollees is to send flyer, provided by ICMA-RC letting the employees know that they can still enroll. Consideration is being given to this to include with every paycheck.

Morgan Stanley Report

Tom Forma introduced Matthew Navins and Brian Arcara from Eaton Vance. Matt Navins presented the Eaton Vance Investment Managers report on their Large-Cap Value for the fourth quarter of 2014. The report contains information about Eaton Vance and the strategy behind the company as well as who the leaders of the company are and their teams. Eaton Vance looks for large and mid-cap companies that are high quality and under-valued. The strategy of Eaton Vance has been the same for more than 14 years. The former CFA retired and Edward (Eddie) Perkin was hired to take his place. Eddie had a similar philosophy to the former CFA. The idea is to find companies that are on sale or mispriced. The components they look for are: Intrinsic value; price to earnings; historic data; parts analysis; discounted cash flow analysis. There was discussion of statistics provided by Eaton Vance.

Tom Forma then presented Morgan Stanley Reports on the Town of Old Saybrook’s pension fund. He indicated that very shortly all of the historic data will be reported in the Performance Reports that are sent out ahead of the meetings. Though they have received all of the information, it is still be formatted to fit the report. Tom Forma shared information about the Pension Fund – which now has a value above \$20 million!! Overall the fund is doing well.

The Healthcare Fund is also doing well. And though it is .5% behind since November Tom Forma is still happy with the way the fund is looking.

Carl Fortuna asked Tom Forma about 2008 and what he did. Tom Forma indicated that he rode it out. Did not rebalance to go back – they let it do its thing. He explained that the big question is ‘how do we survive the bad markets and get growth?’ Discussion continued of the most volatile manager at that time – Alliance Bernstein. The Pension Board agreed to hold on even though they were more volatile than the market and in the end, they came out better than the market. The Forma Group looks for managers who will survive the bad markets. They look for companies with high quality bonds and high quality stocks. Small-Cap have a higher risk and the Large-Cap have less risk. The approach is to stay with high quality managers that choose high quality stocks and bonds.

Tom Forma also reported that since we have switched to Invesco International it has done nicely. Also, we have recently switched to Delaware. The Delaware representative will attend the meeting in April.

OLD BUSINESS

Health Insurance – would like to understand the plans and costs with the new changes. The cost of the plan is of concern. Several employees have HSA’s. There were some large insurance claims this year – makes a difference in the cost of the plan. Exploring other options is a good idea. Looking to Wellness Programs – cancer prevention. The Town’s insurance agent is Sonia from Brown and Brown. Carl Fortuna will invite Sonia to the April meeting.

The complaints from the retirees regarding their health insurance have been resolved.

Retiree and Active Life Insurance Plans: Discussion regarding setting a standardized Life Insurance Policy continued. The Town has paid for life insurance policies for 43 retirees – all with varying coverages. All the premiums have grown enormously, most due to the doubling of the police payout. Because of recent premium hikes, Carl Fortuna would like to recommend a reduction to the Board of Selectman that all retirees be entitled to a benefit of 50% of their retirement

salary, no greater than \$50,000 with a declining benefit at age 65 of 35%, age 70 of 35%, age 75 of 35% leaving the maximum policy by age 75 at about \$13,000. He would also like to recommend that all current retirees maintain their current coverage, but it will age decline. Suzanne Taylor has spoken with at least one retiree who would like to maintain their current policy amount but that this person would be willing to pay the difference in the premiums. Suzanne further pointed out that the current retiree life insurance premium only makes up about 15% of the overall premium cost. It appears that the new police contract increased their active coverage to 2 times the current salary, while numerous other employees also have double their annual salary, and some others do not. No consistent pattern seems to exist.

Suzanne Taylor noted that the Police Union can negotiate for retirees as well as active employees. Police Union contract on page 17 shows that they are entitled to two times their salary – there are 25 current employees.

Carl Fortuna noted that declining or smaller insurance policies are common as people age.

Lynn Dallas asked if it was possible to do an impact study on retirees. It is known that monthly retiree premiums range from \$9.20 to \$33.58, for one of the most recent retirees. Whereas costs for active employees range from \$23 to \$96.94 with one much higher expense.

Suzanne Taylor posited if the Town would agree to pay a certain percentage of a life insurance policy premium up to a certain dollar amount of coverage, then, the retiree would be responsible for the balance of the premium. Discussion around this continued as to how to collect these additional premiums. It was suggested that the additional premiums would be able to be deducted from their pensions as is done for health insurance premiums.

All agreed that there is a need for a consistent policy and that we need to consult with our broker who is the same as for our health insurance, so this issue can be further discussed at our next meeting. .

New Business: None.

Ray Muratori made a motion to adjourn the meeting. Carl Fortuna seconded the motion. Meeting was adjourned at 9:15pm.

Respectfully submitted,

Kathy Duncan, Clerk