

Old Saybrook Pension and Benefits Board
Regular Meeting, November 20, 2014
Meeting Minutes
Employee Cafeteria Town Hall

Members present: Suzanne Taylor, Stephen Sheehan, Paul Tracey, Carol Voigt, Carl Fortuna

Absent members: Eileen Torrenti,, Ray Muratori

Others: Steve Lemanski (Milliman), Kevin Nicholls (Morgan Stanley), Joe Johnson (OSFD), Paul Citarell (John Hancock), Laura Hancock (ICMARC), Kathy Duncan

Meeting was called to order at 7:10 pm after unsuccessfully trying to reach Eileen Torrenti via speakerphone.

The minutes from the October 23rd meeting were presented for review. A motion was made by Carol Voigt to accept the minutes as reported. Suzanne Taylor seconded the motion. All voted in favor and the motion passed.

As Joe Johnson was unable to stay for the duration of the meeting, the OSFD Pension Plan was discussed next. There is a member of the OSFD, Jack Laterra, who is scheduled to retire from the OSFD effective 2/1/15. The Actuarial report states he is eligible for \$540 per month for a total of \$6480 per year. A congratulatory note will be sent to Mr. Laterra by Kathy Duncan.

The OSFD Pension Plan Summary is in the midst of being finalized. Steve Lemanski and JT Dunn have been working together to this end. It was noted that there were a couple of typographical errors and once they are corrected, the plan will be complete. The presentation of the Plan was discussed and since it is a small document it was decided that JT Dunn will email the document to the members of the OSFD and that there would be a copy presented to Ron Baldi who is the only member who does not use email. Kathy Duncan will be responsible for getting the copies made that are needed.

A motion was made by Stephen Sheehan to allow a budget of \$30 for color copying at Staples. Paul Tracey seconded the motion. All voted in favor and the motion passed.

Actuarial report:

Steve Lemanski presented the Actuarial Valuation of the Town of Old Saybrook Fire Company No. 1 Retirement Plan. A summary on the front page shows the Total Town Contribution for Fiscal Year 2014-2015 at \$117,695 and Fiscal Year 2015=16 at \$127,111. The methods and calculations for these numbers are found in the report.

Stephen Sheehan made a motion for the Old Saybrook Pension and Benefits Board to recommend to the Board of Finance full funding for the Town of Old Saybrook Fire Company No. 1 Retirement Plan. Paul Tracey seconded the motion. No further discussion. All voted in favor and the motion passed.

Steve Lemanski then presented the GASB 67=68 DISCLOSURE for the Town of Old Saybrook Fire Company No. 1 Retirement Plan. Steve reminded the Board that this is the first year that GASB 67 is applicable as the former GASB 25/26 has essentially been separated into two divisions, Funding and Accounting. The report was reviewed and it was noted that one important item in this report is there is

no Depletion Date. The fund will remain solvent as long as the recommended contributions are contributed.

A motion was made by Stephen Sheehan that the Old Saybrook Pension and Benefits Board accepts the draft of the Town of Old Saybrook Fire Company No. 1 Retirement Plan with changes as suggested be approved upon addressing those changes. Paul Tracey seconded the motion. No further discussion. All voted in favor and the motion passed.

Chair's Report:

CPPF was held in Westbrook at Water's Edge and was attended by Suzanne Taylor, Ray Muratori and Sharon Migliaccio. The most important information that was received was about using prudence in the management of 401k plans. Also, it was learned that when employees are "auto-enrolled" that typically "auto-contributions" increase. This leads to more money for the investors and ultimately, more money for the employees.

Retirement requests:

Only one request has been received from the aforementioned firefighter.

Other:

Regarding the budget for the Old Saybrook Pension and Benefits Board, it has been noted that the board has spent more than allocated. Carl Fortuna invited Suzanne Taylor to come to a future Board of Finance meeting to explain the overages for this year due, in part, to the new GASB 67-68 requirements and therefore, larger bills from Milliman. Carl suggested a mid-year review to gauge where the Pension and Benefits Board stands mid-year.

Investment Report:

Paul Citarell from John Hancock presented the Fundamental Large Cap Core Strategy report for Separately Managed Accounts. John Hancock has over \$300 billion in assets. He reported that John Hancock has on average done 3% better than the S&P in using the top 5% of Core Managers with their portfolio. He reports that John Hancock is doing well especially with the lower risk portfolio. This portfolio contains 45 companies that are very well known, such as Amazon, Bank of America, Apple. They choose high quality large cap companies from different areas such as tech, financial, consumer. Paul Tracey asked for a listing of all companies in the portfolio. Paul Citarell indicated that he did not bring that report this evening but other board members acknowledged that they have been presented with that information in the past.

Kevin Nicholls from Morgan Stanley then presented his report on the status of the Town of Old Saybrook Pension Plan now that the move is almost complete from Merrill Lynch to Morgan Stanley. Kevin indicated that there are 5 managers (most of the same from ML) now handling the funds that have been transferred. Kevin reported, as there was some confusion, future reports will contain all specific funds as has been done in the past – the issue with this report is that all funds have just been transferred to the new custodian, Morgan Stanley.

He then presented paperwork for Carl Fortuna to sign regarding Neuberger, John Hancock and Davidson to complete the transfer to the same funds with the new custodian.

Discussion continued as to how investments and the choice of funds are handled by The Tom Forma Group, now with Morgan Stanley. The Tom Forma Group presents recommendations to the Pension and

Benefits Board who then consider the information and ultimately make the decision. Suzanne Taylor asked for an end of November and end of December report to be delivered. Paul Tracey asked Kevin Nichols to write a letter for Suzanne Taylor to sign which requests whatever information the Forma Group needs to provide the Pension Board with a comprehensive report. The report should include both the holdings of the individual managers as well as historical performance for each manager. In addition, both the holdings and historical performance should be provided on a combined basis for all managers. The Forma Group will then be able to compile the information and give an accurate report on all funds.

Kevin went on to review the status of the Town of Old Saybrook Healthcare Fund. Information was received today that Lord Abbott will no longer be an option for Fixed Income Funds. They are choosing to opt out of managing the legacy portion of the Healthcare Fund – the effective date has not yet been confirmed. Essentially, the Board will need to move these funds to a new Fixed Income fund. The Forma Group, with limited time to gather information, did bring one recommendation for consideration by the Board of the McDonnell Investment Management Company, out of Chicago. There was a report presented on the group for consideration however, with a little bit of time The Forma Group will have other recommendations as well. Kevin will confirm the end date as soon as possible. In the meantime, should there be a lapse between Lord Abbott's ending date and securing a new Fixed Income Fund, The Forma Group will manage the funds.

Meeting Dates for 2015

Kathy Duncan was given a copy of the meeting dates for 2015 and will email this to all.

Actuarial Report, continued:

Steve Lemanski presented the actuarial report for the Town of Old Saybrook Pension Plan as he did earlier for the Fire Company's report. In summary, it was a strong year. The contributions in recent years has been less than the ADC (formerly ARC) recommendation. It was also noted in the demographics that there is one person who is disabled but that is not indicated on the report. That will be corrected.

There was a discussion about the recommended contributions to the Town of Old Saybrook over the past years and it was noted that the town has not fully funded the program in years past. This is a long term inherited issue.

Stephen Sheehan made a motion that the Pension and Benefits Board recommend to the Town of Old Saybrook that they contribute to the Pension Plan at the recommended 12.6%. Paul Tracey seconded the motion. There was more discussion of past contributions. It was noted that there are different considerations with GASB 67.

Stephen Sheehan moved the motion. Suzanne Taylor, Paul Tracey and Stephen Sheehan voted in favor of the motion. Carl Fortuna and Carol Voigt were opposed. The motion passed 3-2.

More actuarial information was shared by Steve Lemanski regarding the Depletion Date for the Town of Old Saybrook Pension Plan. The cost of the reporting by Milliman was discussed and it was disclosed that the Valuation Report that is delivered to Lisa Carver and then copied to Suzanne Taylor and the Pension and Benefits Board cost approximately \$3500. There is an additional cost of \$4000 for the new disclosure requirements bringing the total bill from Milliman for this report to approximately \$7500.

Carl Fortuna mentioned that at the last Board of Finance meeting he asked that Board how they would feel about the Pension and Benefits Board exploring the 457 plan. Mr. Fortuna indicated that the Board of Finance would be receptive to funding an RFP from the Pension and Benefits Board to explore a Defined Contribution Plan. It was also noted that this sort of trend in utilizing 457 plans and the like seems to be increasing as it is getting more difficult for towns to fund the pension plans.

Steve Lemanski has no scheduled date to return to the Pension and Benefits Board meetings.

ICMA/RC:

Laura Hancock of ICMA/RC was welcomed and thanked for requesting to speak to the Board this evening. Laura spoke about how she typically will try to meet with employees to educate the employees of their options with 457 plans and a Roth IRA plan. Both of these choices, when offered with automatic deductions from paychecks tend to make it easier for employees to contribute to their plans because they don't have to think about it. At this time, the state of Connecticut does not allow for increasing automatic deduction through payroll for the Roth IRA plan. ICMA/RC is looking for several towns to work through getting this type of automatic deductions allowed. The Pension and Benefits Board would need to endorse the writing of a letter stating that we would like to give this a try.

Carl Fortuna made a motion to consider an automatic enrollment option with the Pension and Benefits Board to make this request with assistance of the ICMA/RC representative, Laura Hancock. Stephen Sheehan seconded the motion. All voted in favor and the motion passed.

Carl Fortuna made a motion that the Pension and Benefit Board recommend providing an opportunity for a Roth IRA automatic deduction for new participants of the Town of Old Saybrook's retirement plans. Paul Tracey seconded the motion. All voted in favor and the motion passed.

Laura Hancock report that Pimco is going away as there has been a lot of bad press. This will be replaced with a like fund with lower expense ratio.

CHAIR for 2015:

Stephen Sheehan nominated Dr. Suzanne Taylor to continue as Chair of the Pension and Benefits Board because of her commitment to the Board and her length of service. Carl Fortuna supported this nomination. All voted in favor and Dr. Suzanne Taylor was named as Chair for 2015.

RETIREMENT:

After more than 20 years served, Stephen Sheehan will be retiring from the Pension and Benefits Board. The Board thanks him for his years of service and wishes him well as he becomes a Ski Ambassador at Mt. Snow.

OLD BUSINESS:

None.

NEW BUSINESS:

Suzanne Taylor brought to the Board's attention that Carl Fortuna had been published in the Harbor News, delivered this day, with a report about the Town's health insurance. The new plan will help keep the costs down for the Town.

There will be a Town Meeting on Monday night and all are invited and encouraged to attend.

Stephen Sheehan made a motion to adjourn the meeting. Carl Fortuna seconded the motion. All voted in favor and the meeting adjourned at 9:35pm.

Respectfully submitted, Kathy Duncan, Clerk