

TOWN OF OLD SAYBROOK

302 Main St.
Old Saybrook, CT 06475

PENSION AND BENEFITS BOARD
Thursday, April 27, 2017 6:30 PM
First Floor Conference Room

In Attendance

Board Members: Suzanne Taylor (Chairperson), Carl Fortuna, Lynn Dallas, Ray Muratori, Paul Tracey, Carol Voigt, Rowena Moffett. Consultants: Lee Ann Palladino (Finance Director), Tom Forma and Kevin Nichols (Morgan Stanley). Others: Timothy Kellogg (Recording Secretary). Guests: Bob Fish, Madeleine Fish, Christina Antolino, Carol Rzasa, Ian Featherstone, Brian Ziolkowski, Chelsea Graham, Alan Schwarz, Rogina O'Brien

Welcome and Public Comment

Chairperson Taylor welcomed board members, consultants, and guests. The meeting was called to order at 6:30 PM.

Mr. Featherstone shared comments related to the proposed pension plan changes. Brief discussion took place.

Minutes

The minutes of March 23, 2017 and April 6, 2017 were reviewed. A motion was made by Carl Fortuna and seconded by Lynn Dallas to approve the minutes as presented. All in favor. Minutes approved.

Chair's Report

Chairperson Taylor provided an update on CPPF attendance for the conference on May 3, 2017. Lynn, Carol, and Suzanne are confirmed to attend. Some discussion took place. Chairperson Taylor reviewed some details of the upcoming conference.

Chairperson Taylor reviewed disability claims. Chairperson Taylor discussed the claim of Eric Messner. The status of Mr. Messner's claim is still pending.

Chairperson Taylor and Carl Fortuna reviewed the options for discussing the claim of Brian Ziolkowski (in attendance). A **motion** was made by Carl Fortuna, seconded by Lynn Dallas and approved to go into executive session to discuss the health matter of Brian Ziolkowski. Executive session was in effect from 6:40 PM to 7:15 PM. The recording Secretary and members of the public were excused from the meeting during this time.

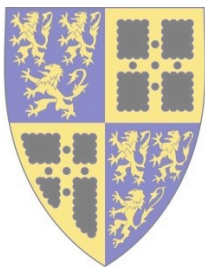
Following the conclusion of Executive Session, a **motion** was made by Carl Fortuna and seconded by Rowena Moffett to deny the application based on the information before us at this time, without prejudice to renewal by the claimant at such time in the future that he deems appropriate. Discussion of the motion took place. four in favor, one opposed, and one abstained. Motion approved. Discussion continued.

Other

Chairperson Taylor noted a request for retirement calculation for a retiring member of the Fire Department, who is eligible to retire in August. Calculations are under discussion. Further discussion of the matter took place. A conference call will take place to address the matter in the near future with the actuary, legal counsel, J.T. Dunn, Carl Fortuna and Dr. Taylor.

Financial Reports

Lee Ann Palladino gave the Finance Director's Report. Lee Ann reviewed the separation of the Town Pension Funds and the Fire Department Pension Funds. The plans were separated on April 14. It was an all hands on deck process. Lee Ann reviewed the plan separation details outlined in her report and noted that a new federal ID number is required for the separate plans.



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Lee Ann highlighted the GASB 74/75. The OPEB will implement GASB 74/75. Discussion took place regarding the necessary actions and past practices surrounding OPEB money. Lee Ann will send information to Suzanne and follow up with the actuary will take place. This issue will have further discussion at the next meeting.

Lee Ann Palladino shared the Morgan Stanley quarterly outlook discount rate of 7.5% (emerging and frontier equities). She noted plan performance is often compared to the discount rate. Discussion of the matter took place. Lee Ann will provide an update at the next meeting.

Discussion and review of Janet's report on various retirement issues took place.

Paul Tracey provided a Third Quarter Update of the 457 Plan. Over \$1,715,000 up 17% from last year. Brief discussion took place. There are currently 42 participants. The asset allocation is 26% stable value/cash management, 5% bond, 27% balanced asset allocation, 36% US stock 4% international stock, and 2% specialty. Paul would like to see more participants.

The consultant from Hancock Investments was not present and the detailed investment report was not presented at this time.

Morgan Stanley consultants Tom Forma and Kevin Nichols provided an overview of all investment portfolios. Tom reviewed the weighted performance summary. Tom discussed how splitting the pension funds affected the bond managers. The differences in two portfolios will be reviewed and discussed at the next meeting. Kevin distributed a cumulative gains report. Tom reviewed the report. Tom highlighted lines that are in order of largest to smallest. Discussion of the report took place.

Tom highlighted portfolio methodology. Tom indicated they have looked at what an insurance company does with diversification. He highlighted details about the downside of a bad year and getting a decent return. Tom reviewed further details of the portfolio. Kevin noted that Tom's overview is in the handout that was provided. Kevin reported on the goal of protecting the funding ratio. Kevin highlighted page 9 of the Morgan Stanley report. He reviewed equity asset allocations. Kevin highlighted page 10 on past performance.

Paul addressed large cap value. Paul expressed concern about under performing managers. Review and discussion of Eaton Vance long term performance took place. Discussion shifted focus to asset allocation. Further discussion took place.

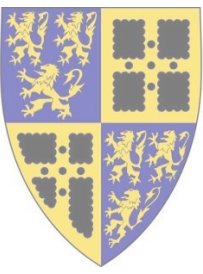
Members of the public left the meeting during the presentation of financial reports.

Kevin distributed a Davis Advisors underperformance report. Tom highlighted the report and the subject of hiring/firing underperformers. Discussion continued. The Board would like to look at alternatives to Eaton Vance at the next Meeting. Before concluding the Morgan Stanley reports, Kevin reviewed the fee schedule. 0.74% is the percentage for management fees.

Old Business

Discussion of recommendations and concerns regarding the establishment of a DC Plan (as developed at the April 6th meeting) took place.

A **motion** was made for the adoption of the 401A plan with amended amendments by Carl Fortuna. The motion was discussed. Carl Fortuna reviewed the reason for the Pension Reform Study and cited long term planning as



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the purpose for adoption of a 401A plan. Chairperson Taylor highlighted the need for a summary plan description of the 401A plan and emphasized its necessity for employees. Further discussion of the motion took place.

Lee Ann Palladino reviewed page 2 of the April 6, special meeting minutes for a list of agreed upon changes to the proposed plan document. Lee Ann reviewed plan amendments. She reviewed plan page 1 section 2, plan page 2 section V, and noted that plan page 4 will be replaced with the separately distributed plan page 4 (footnoted "Profit Sharing Plan Adoption Agreement") No other changes were made to the plan document.

Amendments were discussed further.

A *subsequent motion* to the motion under discussion was made by Ray Muratori and seconded by Carl Fortuna to eliminate amendment 8 re police overtime. All in favor. Amendment to the plan amendment was then approved.

Discussion of the initial motion to adopt the 401A plan with amended amendments continued. Motion seconded by Ray Muratori. A **vote** on the motion took place. Five in favor, one abstention. Motion passed. 401A plan with amended amendments adopted.

Discussion of the need for Disability Insurance under a DC plan and the need to update the current pension plan document since its publication in 2008 to reflect new changes were moved to the next meeting and further research will be done.

New Business

No new business was discussed, except to note that more information on our health insurance benefits should be reviewed along with the Health Savings Accounts in relation to retirement savings,

Next Meeting Thursday, May 25, 2017

A **motion** to adjourn was made by Carl Fortuna and seconded by Lynn Dallas at 9 PM.

Respectfully Submitted,

Timothy Kellogg,
Board Secretary