

Town of Old Saybrook Pension and Benefits Board
Special Meeting, January 7, 2016
Meeting Minutes
Conference Room Town Hall

Members Present: Suzanne Taylor, Carol Voigt, Ray Muratori, Carl Fortuna, and Lynn Dallas.
Absent: Eileen Torrenti and Paul Tracey. Others: Sharon Migliaccio, Timothy Kellogg, Kevin Nichols (Morgan Stanley), Actuary Steve Lernanski .and Interim Finance Director Leanne Paladino.

Chairperson Taylor called the meeting to order at 7:03 pm, welcoming those present wishing them a Happy New year. She introduced Timothy Kellogg, the new Board Secretary.

During the opening, Chairperson Taylor shared information provided by Paul Tracey (not in attendance), which indicated that he is expected to give the year end 457 ICMA report at the next meeting. He will attend by cell phone and arrange for print copies for members prior to the Jan 28th meeting.

November 19, 2015 minutes were reviewed and approved by all after a motion made by Carol Voigt and seconded by Lynn Dallas..

Chair's Report

Chairperson Taylor reported on her meeting with the OSPD. They asked her to speak with them for clarifications and corrections about their recently delivered year end benefit statements. She shared that the officers were enthusiastic to learn more about their pensions and asked many questions. Only one benefit statement needed correction, which was subsequently redone. The officers also expressed interest in the pending Pension Reform Study and indicated they would provide some clarification as to amendments agreed upon in prior negotiations that may not be included in the formal plan document.

Chairperson Taylor noted that the Old Saybrook Fire Department and the town employees also received year end benefit statements. Only one correction was needed in the fire department and none have been reported being needed for town employees. The single pension benefit mistake for the fire department has been corrected.

The Chair continued to routine matters. A vested but terminated Board of Education employee indicated he wanted to withdraw his contributions effective Dec. 31, 2015, but has not yet supplied the necessary paperwork. Contact to the Bd. Of Education has been made and Pam from the Finance office of the Board of Education, will attempt to reach him to assist him with getting the necessary paper work. It should not be necessary for a new actuarial calculation to be done as no further interest was earned on the funds remaining with the town after the actual termination date of the employee. Also pending is a request for a town employee retirement

which so far entailed an actuarial calculation, but that retirement date is no longer relevant and a new date will be determined per conversation with Lee Ann Palidino.

Chairperson Taylor brought attention to the 2015 Town Annual Report, noting an error in the signature for the Pension and Benefits report. The wrong individual was credited with writing the report.

Chairperson Taylor communicated that per instructions of the last meeting she sent out a letter of explanation re the application of the social security off set to Donald Warren and John McConchie as well as a letter to Jan Bagwell re the application of disability when a retiree reaches normal retirement age.

The Chair shared an article from the Hartford Courant newspaper, encouraging employees to save money and regarding how employees approach their pensions. The article's conclusion was that a guaranteed rate of return would "not be workable." Otherwise, the selection of a universal IRA account may be the solution.

Financial Reports

Kevin Nichols shared a presentation on Morgan Stanley investments. Opening remarks expressed general concerns over the stock market. The first portion of the presentation focused on the current portfolio of investments and stock market trends. The pension plan assets are in lower volatility managers to protect from downsides and investors are gravitating towards larger companies. Diversification of the current portfolio helps during times of market stress. Mr. Nichols highlighted the last twelve months covered in the report documents. Recently, we're kind of in line with the standard benchmarks. An example was provided on the benefits and detractions of economic trends, citing the drop in gas prices. There are "two sides to every coin." Overall Nichols predicted It will take a while for the market to stabilize and for people's worries to subside.

Mr. Muratori commented that people are expecting a flat market in the coming year. Mr. Nichols responded that due to that consensus we can expect different results. He noted that it's normal for the market to have a little bit more volatility to it, but we haven't seen much of that in some time. Though, history would say it's not unusual. Chairperson Taylor invited Leanne to share her perspective on the matter. Leanne indicated that everyone is struggling to hit their assumed returns and can expect some degree of short term volatility. The chairperson cited the diversification of the healthcare fund. And Mr. Nichols agreed that diversification is the way to go.

Mr. Nichols continued his presentation to focus on the Health Care Trust funds and a possible addition of another money manager for this portfolio. He shared some hypothetical portfolios that were distributed to the board. The presentation indicated with the ups and downs in the market, they prefer to be a little bit more diversified. For the bonds side they have the same Government only manager minimum. The Equity manager is primarily focused on companies

that have higher than average dividends. Mr. Nichols highlighted key investments. The report concentrates on U.S. companies only that are growing and expanding. Mr. Nichols continued his report. He cited different portfolios noting that the dividend portfolio historically did the worst. Gross stocks did better, though they are more volatile. Russell growth was up four percent, with value down two percent. Mr. Nichols suggested going with allocation number one, in dividends.

Chairperson Taylor asked if Mr. Nichols was seeking a decision this meeting. He encouraged having it finalized by the next meeting. Mr. Nichols again suggested strategy number one in the portfolio. His thought to consider, how do you position the portfolio going forward and how do you make it grow? Chairperson Taylor invited Leanne to share any further thoughts on the subject. Leanne indicated that she'd need to review the presentation in further detail. Additional discussion was had on the subject. Chairperson Taylor thought it would be good to wait on a decision, until Paul Tracey is present at the next meeting.

Lynn Dallas Requested a motion to table this discussion until the regular meeting. Chairperson Taylor granted the request.

Motion by Lynn Dallas to table action until the regular meeting. Seconded by Ray Muratori. All in favor.

Actuarial Matters

Chairperson Taylor addressed the matter of the bill of service from Milliman (dated December 9, 2015). Total was \$21,093.00. A \$4,005.00 portion of the bill for the analysis of pension benefits for current police retirees was critiqued. Chairperson Taylor and Selectman Fortuna discussed whether this was an actuarial or legal matter. Steve Lernanski indicated that they were asked to review payments, what was paid, and what should have been paid. Selectmen Fortuna questioned the purpose and timing of the research. Mr. Lernanski said it was to determine whether or not there were overpayments to retirees. Selectmen Fortuna questioned whether or not it should have been budgeted for and done during the new fiscal year. Chairperson Taylor stated that it was a concern that needed to be addressed in a timely fashion. Further discussion was had. The Selectmen requested that the actuarial budget be reviewed in light of this bill. Chairperson Taylor noted that \$9,000 would be remaining after the bill is paid. The Chairperson and the Selectmen agreed to move forward in the meeting. Selectmen Fortuna argued that the bill should have been approved ahead of time. Chairperson Taylor detailed the research time spent that was accounted for in the bill.

Motion by Carl Fortuna that the bill be paid. Seconded by Lynn Dallas. Motion unanimously adopted.

Steve Lernanski reported on the Pension Plan Reform study. Highlighting the defined benefits plan. There are two group categories OSPD and Non-police. The plan is relatively uniform. It's a contributory plan. He noted that there are an infinite number of ways you can go. It was emphasized that it's important to come up with goals. Other options include hybrid plans.

Chairperson Taylor highlighted the respective plan options. Current plan, DB plan, and hybrid plan. She wants Steve Lernanski to cost out the differences. The purpose of the cost out would be to alter it and increase the employee contribution. It was noted that is a collective bargaining issue.

Mr. Lernanski continued. the most common plans are DC arrangements and hybrid arrangements. He shared that the Town of Glastonbury recently approved a hybrid plan. Chairperson Taylor shared from her meeting with the OSPD that the officers weren't interested in the DC plan, but expressed interest in increased contributions. Selectmen Fortuna commented conversely on the matter. Mr. Lernanski continued discussing the defined contribution plan. The DC plan reduces the total cost, but the benefits are reduced as well. Chairperson Taylor pointed out that there are cost differences between the DC and DB plans.

Mr. Lernanski. continued. The Board will want to look at the respective costs and perhaps what other towns are doing. The issues differ if the new arrangements apply to everyone or new members only. Lynn Dallas noted that the board would be looking for a recommendation from Mr. Lernanski. Discussion was had about the age of retirement, namely for police. Mr. Lernanski stated that the pendulum for this has swung different directions. The retirement age has gone up and down with trends. Recent trends have made retiring early more difficult.

Lynn Dallas questioned if the Town of Old Saybrook has been compared to the benchmarks. Mr. Lernanski clarified that has not happened at this time. Chairperson Taylor questioned how the benchmarks are defined. Mr. Lernanski indicated a goal is to replace eighty percent of your living before retirement between different legs of a retirement plan. Selectmen Fortuna commented that the data you could find might have skewed benchmarks with all the varying plans throughout differing towns. Further discussion was had on town and plan commonalities. The Selectmen noted that with recent market trends the town was 84% funded. His goal would be to not increase the overall cost from the current arrangements. Steve Lernanski said this should be looked at, keeping in mind cost and impact on benefits. Board members discussed cost and impact comparisons. Mr. Lernanski noted that no matter the changes, you're gonna get hit with cost somewhere. Chairperson Taylor said we need to establish what the board expects Mr. Lernanski to return with at the next meeting. Mr. Lernanski would like to know the target cost of the town. He suggested looking at the benchmarks for both police and non-police because of the cost difference between the two. Additional comments were made by others present.

Chairperson Taylor suggested that an equal match will make for a better presentation. The Selectmen commented on the tendency of individuals to focus more on income and health insurance before getting to pensions. Further discussion was had by the group. Chairperson Taylor questioned if the Town is still offering current employees a DB plan to stay in. The Selectmen said there's no other way to do it than grandfathering people in.

Discussion was had on a date for the first analysis. Chairperson Taylor would like Steve Lernanski to come up with suggestions for how we can save money on the current DB plan and then the board can decide what they want him to do for future hires. Mr. Lernanski clarified whether or not this was for new or existing employees. Chairperson Taylor said that if existing employees want to keep a DB plan, it's going to cost them more. New employees would have a DC plan, hybrid plan, or otherwise. Lynn Dallas and Selectmen Fortuna discussed the benefits of having Mr. Lernanski research adjusting the plan for existing employees, in addition to new hires. Lynn Dallas suggested focusing the research on non-police plans. Chairperson Taylor asked about a tier-two match, if it's possible to have a DC plan that has equal matches from employee and employer. Selectmen Fortuna asked Steve Lernanski how he saw this moving forward. Mr. Lernanski requested doing the review at the February board meeting. Mr. Lernanski will share preliminary findings via email with the Selectmen and Chairperson. Steve Lernanski's next presentation will be on the February 25 agenda.

Old Business

Selectmen Fortuna reported on the status of retiree life insurance. Everyone who is currently retired in the town keeps their life insurance benefits. The new plan will become effective April 1, 2016, when active employee life insurance will change to fifty percent of salary capped at \$50,000 until age seventy and decrease in subsequent years. Full details should be attached in motion adopted by Board of Selectmen in December 2015. .

New Business

Motion by Carl Fortuna and seconded by Lynn Dallas to keep the 2016-2017 budget to stay at \$59,670.00. Unanimously approved.

Motion to adjourn by Lynn Dallas, at 8:52 PM. Seconded by Ray Muratori. All in favor.

Next Meeting: Thursday, January 28, 2016

Respectfully Submitted,



Timothy Kellogg,
Board Secretary