

Town of Old Saybrook Pension and Benefits Board
Regular Meeting, March 24, 2016
Meeting Minutes
Town Hall Conference Room

Members Present: Suzanne Taylor, Carl Fortuna, Ray Muratori, Lynn Dallas, Carol Voigt (via conference call). Absent: Paul Tracey, Eileen Torrenti. Others present: Accounting Liaison Sharon Migliaccio, Secretary Timothy Kellogg. Financial Consultants: Tom Forma, Kevin Nichols (Morgan Stanley), Matthew, Brian (Eaton Vance), and Interim Finance Director Lee Ann Palladino.

Welcome

Chairperson Taylor welcomed board members and guests to the meeting. The meeting was called to order at 7 p.m.

Approval of Minutes

Motion to approve the February 25, 2016 Meeting minutes, with corrections. Moved by Ray Muratori and seconded by Lynn Dallas. All in favor. Minutes approved with corrections.

Chair's Report

Chairperson Taylor reported on pending retirements. Mary Morgan and Frank Constantine are officially retired as of April first. The board will send a card expressing their well-wishes. Chairperson Taylor shared with the board that Steve Lemanski is leaving the employment of Milliman on March 30, 2016 for another position. Chairperson Taylor had a conversation with Milliman's lead actuary, Becky Selman, who has been overseeing Steve's work on our pension reform study. She will be able to continue the analysis and provide the initial suggestions by March 31st as scheduled. Shortly after that Lee Ann, Carl, and Suzanne will meet with Becky sometime in early April. Chairperson Taylor asked Carl to confirm dates with Lee Ann.

Chairperson Taylor reported that the next CPPF Conference will be on May 11th, probably in the Hartford area. At that time Becky Selman will be explaining a new concept about how to keep a DB plan and keep the cost predictable and economical. The exact location of the spring conference is still undecided. Milliman is fully committed to continuing as the Actuary. Additional discussion was had on this subject.

Investment Reports

Chairperson Taylor reviewed the Fiscal Policy for Town Pension and Volunteer Fire Department Pensions. GASB 67/68 indicates that the fund has to be reviewed annually. The question of funding for this review was highlighted and discussed. Lee Ann Palladino's recommendation is to complete the ongoing study prior to any policy changes. Chairperson Taylor shared funding policy and investment policy details. Copies of the respective policies were distributed and are currently on file. The board will reconsider the funding policy after the completion of the pension reform study. Further discussion on the investment policy will be continued.

funding for this review was highlighted and discussed. Lee Ann Palladino's recommendation is to complete the ongoing study prior to any policy changes. Chairperson Taylor shared funding

policy and investment policy distributed. The cover letter to the board was distributed. The board was informed of the transition from Hartford to AIG as of February 1. There are now seven classes of employees, with two specific to retirees (classes 5 and 7). A revision reflects that class 5 is now closed. Class 7 is the new class for retirees after July 1. The difference between the two classes was highlighted. Pension benefits will be put on an automated system. Chairperson Taylor questioned a situation with a retiree who passed. Selectman Fortuna would prefer to speak with specific individuals in this case.

Update of a new automated system is in process and a better way of keeping track of pension and benefits for each employee and retiree should be the final result. As of yet there is no definite list of the AIG life insurance benefits per each retiree.

The 2016-17 budget increases for the Pension Committee were discussed with much of the increase due to recent GASB requirements and consequently higher actuarial costs. Under GASB 67 and 68 the plan has not done as well due to lower interest rate assumptions and lower pension fund returns. Employer Contributions of 7% and employee contributions of 5% do not come close to the needed actuarial contributions. Thus the larger administrative costs are also out of line with a small pension plans costs compared to a larger pension plan. Chairperson Taylor inquired about the possibility of GASB not requiring a valuation be done so frequently as every year. Perhaps further discussion with our actuary re a contact to GASB could be done.

Chairperson Taylor inquired about health benefits. More research needs to be done here and Lee Ann will bring this to the board at a later date. Selectman Fortuna noted that health benefit coverage costs have been reasonable compared to many other plans with the Old Saybrook increase up a grand total of 13% over five years. Further comments were made and discussion was had on the positive trends in the health benefits coverage

Investment Management Reports

Tom Forma reported that in the last month the markets came back. Things have gone up \$100,000 since the report was produced. We went from being down 7% to only down 3% since last month. Matthew Navins, from Eaton Vance reported on the large cap value allocation. The report was distributed to the board. Matthew Navins highlighted leadership changes within Eaton Vance and the period of time where there were struggles. Leadership transitions have helped create positive changes. He shared that they buy big company stocks and that strategy hasn't changed. Tom updated the board. The index was down and now it is about even. It's been coming back nicely in the last month.

Matthew Navins continued the Eaton Vance report. The company is happy with results under new leadership. He said in a period when the market goes down they expect to outperform and they did. They limit the number of stocks owned and weight them more heavily. Behavioral finance and how one assigns value to things they own versus what they don't was highlighted, as well as, bandwagon mentalities. They do portfolio exercises to minimize complacency and put the freshest thing out there. They look at the portfolios on a holistic basis.

Ray Muratori inquired about the segmenting process. Matthew Navins indicated that they get everyone involved in the process. Chairperson Taylor noted that it would be interesting to have control groups to demonstrate their strategy. Tom Forma noted that Eaton Vance is the more cautious side of the domestic investments but that didn't happen. Matthew indicated that the issues have been focused in the financial sector. There was an expectation that interest rate hikes would create a benefit. Matthew highlighted Invesco believing it has a bright future. The one that's really hurt was Credit Suisse. Matthew further discussed the background on this investment. Eaton Vance came to it early and are taking pain now for success later. They've reduced the position size, but they still believe in the investment. The stock was explained further.

Selectman Fortuna asked about the US footprint. Matthew indicated that it is a global footprint. Matthew continued the report. Energy stocks were highlighted. They've matched their benchmark's footprint. Investment strategies were described. It was noted, production in the US is down and more expensive. Matthew further highlighted oil prices and trends. He indicated that those are the areas that hurt them. However, they are cautiously optimistic. Matthew said he's never had more confidence in the managers than he does now.

Tom Forma questioned if Eaton Vance has become more deep value than traditional value. Matthew Navins indicated that they have remained traditional, but they have moments of using the opportunistic investments. He further emphasized Credit Suisse as an example. The Eaton Vance financial analyst suggested they look back at GE due to fundamental changes internally. It ended up being their biggest sized position over the course of last year.

Kevin Nichols pointed out that they value sticking with traditional managers that stick to their investment process. Matthew indicated that they look for returns on business and capital and returns on equity. If you look at energy it's tough on returns. He gave a few examples of energy companies that did well. Chairperson Taylor asked if Lee Ann Palladino had any questions. Lee Ann asked about a fee on page 17 of the report. Tom noted that is a regularity fee that is all inclusive of all the groups involved. The 3% maximum fee is required in the reports. But it is not the fee we pay which is well under 1%. No further questions were had for Eaton Vance. Matthew Navins and Brian Arcara left the meeting at 8:15 PM.

Kevin Nichols reported page 12 of the report only has the YTD figures, so it only tells half the story. The people lagging for the YTD are doing better in the Month-to-date. Carl requested a copy of the updated version of this page of the report for the month-to-date figures. Kevin Nichols continued the report. Kevin and Tom will provide an updated report on the first quarter and month of March. They're always looking at all the managers. Some of the managers were highlighted, including Davidson All Cap Core. Lee Ann asked about the Davidson returns. Kevin noted that due to transition, there may have been a different manager. Kevin indicated when you look at the All Cap managers Davidson screens well. Morgan Stanley will present the board with new alternatives next month. Tom Forma noted that bond services will have to be reviewed as well. Further discussion was had on this. Chairperson Taylor asked about alternatives. Tom

indicated that there are specific processes that have to be done for this kind of research. Chairperson Taylor requested reviewing the managers one at a time. Tom suggested that the board might want to think about all of the managers. The fixed income managers will be reviewed first. This will be reported on at the April meeting.

Selectman Fortuna proposed having investment reports bi-monthly with a special July meeting just for investment reports. Kevin provided additional comment on health care manager status. Chairperson Taylor would like to put this on the agenda for April or May.

Chairperson Taylor noted that Paul Tracey will provide an update on the ICMA status in April.

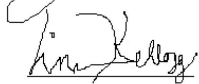
Old Business

No further old business was discussed.

New Business

Brief discussion was had on increased employee contributions, collective bargaining, and DB plan rules.

Motion to adjourn by Selectman Fortuna, seconded by Ray Muratori. Meeting adjourned at 8:38 PM.



Respectfully Submitted,
Timothy Kellogg,
Pension and Benefits Board Secretary
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