

Town of Old Saybrook Pension and Benefits Board
Regular Meeting, September 22, 2016
Meeting Minutes
Town Hall Conference Room

Members Present: Suzanne Taylor, Lynn Dallas, Paul Tracey, Carol Voigt. Others present: Accounting Liaison Sharon Migliaccio, Finance Director Lee Ann Palladino, Secretary Timothy Kellogg. Financial Consultants: Tom Forma, (Morgan Stanley), Laura Hancock (ICMA, via conference call), Mike Wachter (Reinhart Partners Inc.). Absent: Carl Fortuna, Ray Muratori, Kevin Nichols, Eileen Torrenti.

Welcome

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

Minutes of Prior Meetings

The minutes of the June 23, 2016 regular meeting and August 25, 2016 special meeting were reviewed.

A **motion** was made by Paul Tracey and seconded by Lynn Dallas to accept the minutes from June 23, 2016. Motion approved. A **motion** was made by Lynn Dallas and seconded by Paul Tracey to accept the minutes of August 25, 2016. Motion approved.

Chair's Report

Chairperson Taylor reported on her attendance at the Public Funds Forum Conference in July. Tom Forma attended the conference and shared comments on the impact of pension and OPEB liabilities on capital projects. A summary of Tom's comments on the conference presentation included the following. Pension ratio over 80% is considered healthy. 10% funding for OPEB is average. Connecticut statutes on health care reserve were noted. Debt service less than 10% is healthy. Tom provided an OPEB summary of other towns..

Lee Ann Palladino noted that town debt refinancing was addressed in June and July. Old Saybrook is one of few towns with money designated for OPEB.

Lee Ann gave her comments on the conference. Overall, Lee Ann felt the conference was good and well attended. It was geared towards board members and practitioners. She highlighted the question of what a pension board does to fund the pension plans to 100%. She expressed concerns over the presentations on credit strategies.

Chairperson Taylor reported that she moderated a panel with the Executive Director of the Manchester, NH Fund and an Executive Director from the Detroit area. She shared highlights from the experience.

Chairperson Taylor distributed the annual report to the board. She commented on the content of the report.

Chairperson Taylor shared a message from JT Dunn, it was an update from OSFD. Three firefighters will be eligible to retire in 2017. Two of three retirees in process of filing paperwork with the accounting office. He noted appreciation for the Pension and Benefits Board and Sharon's work to help with the OSFD pension plans.

On Wednesday, October 26, the Pension Forum will meet at the Tournament Golf Club of Wallingford. Chairperson Taylor shared highlights of speakers and topics for the event.

A **Motion** was made to pay the Milliman expenditures for \$1,575.00 by Carol Voigt and seconded by Lynn Dallas. It passed unanimously.

Investment Reports

Chairperson Taylor reviewed the board's attendance at the Board of Finance Meeting that took place on September 6, 2016. This was returned to latter in the meeting.

Chairperson Taylor addressed the investment policy. Lee Ann noted that the board had discussed finishing the Pension Reform Study before updating the investment policy. Further discussion was had on the investment policy. The current policy will be sent to board members for review before the October meeting.

Mike Wachter of Reinhart Partners Inc. joined the meeting via conference call to discuss fixed income strategy. Mike addressed interest rate risk (general interest rate risk and relative interest rate risk). Our portfolio is invested in intermediate bonds. Mike also addressed credit risk. Higher risk for managers may equal higher compensation. Potential scenarios were highlighted.

Mike addressed structure risk. This is focused on the predictability of cash flow. Mike also addressed liquidity risk. Reinhart focuses on predictable cash flow and liquid bonds. Mike addressed comments and questions from the board, namely on fed rates.

Mike addressed the difficulties of portfolio protection and yield. Paul Tracey asked about the expected rate of return over the next five years. Mike anticipates a potential for recession over the next five years and a low rate of return (1.5% is estimated). This portfolio will mature over the next five years. The conference call with Mike Wachter of Reinhart Partners ended at 7:30 PM.

Laura Hancock of ICMA provided the ICMA Report via conference phone at 7:32 PM. Laura reported on the 457 Plan Asset Trends. The board followed along with handouts. A plan services review is only available at the plan year end. She provided a present plan balance of \$1,556,903.53. Laura would like to visit different town departments to encourage 457 plan participation. Some discussion took place on participation incentives. General discussion took place about other towns and their 457 plans.

Laura addressed previously emailed questions about target date funds. The vantagepoint funds, a manager of managers, has underperformed. Lynn asked about performance data. Laura will send out additional data to include the June and September 30th quarterlies including rates of return averaging about 1.22%. A brief explanation was given for the rates.

Finance Director, Lee Ann Palladino provided the Finance report. She referenced the Sept 6th Board of Finance meeting where she presented the need for investing more money in the pension fund. She believes the Board of Finance understands the dire need to increase pension funding. Some strategies the town is considering, include moving new plans to a DC plan and looking at the long term funding strategy.

Paul Tracey highlighted his thoughts on the Board of Finance meeting. It was clear that action needs to be taken to increase pension funding.

Chairperson Taylor addressed the Pension and Benefits Board's role in providing options to the Board of Finance. How the board designs the options is what is needed for negotiation. Discussion was had on the subject. Chairperson Taylor provided the board a report from the Town of Avon telling in detail how they moved from a DB plan to a DC plan. Further discussion took place. Tom Forma agreed to contact the Human resources Director to learn more and then to share it with the Board.

A **Motion** was made to ask the Board of Finance to consider giving an additional \$50,000.00 contribution to the pension fund by Lynn Dallas and seconded by Paul Tracey. Motion carried. It was suggested that perhaps Lee Ann could include this request in her next report to the Board of Finance.

Discussion on pension plans and funding strategies continued.

Lee Ann inquired about how and when our pension funds are deposited to our Liberty Bank and where the statements might be. No immediate answer was forthcoming.

Tom Forma discussed the recently delivered Morgan Stanley investment report. No special concerns were raised for now.

Old Business

It was noted that the annual confirmation of disability eligibility for an individual is necessary and as of an August request no response has been received. Therefore a certified letter will be sent for the annual required update. This item of business will be revisited at the October meeting.

Discussion was held about the future timing of the October and November meetings. It was agreed to meet at the published dates but at 6:30 p.m.

New Business

Lynn Dallas reported on the status of the Pension and Benefit Board's website, with a wish list of items to be included. The board agreed with Lee Ann to request that the IT manager include a section for employee and retiree benefits, and update the Secretary's name among other things. Lee Ann will meet with Larry Haden about website update proposals.

Discussion on pension reform strategies resumed, with the suggestion that most of the October meeting be devoted to this topic.

Motion to adjourn was made by Carol Voigt and seconded by Paul Tracey . Meeting adjourned at 8:55 PM.

Respectfully submitted,

Timothy Kellogg,
Pension and Benefits Board Secretary