

TOWN OF OLD SAYBROOK
302 Main St.
Old Saybrook, CT 06475

PENSION AND BENEFITS BOARD
Thursday, June 22, 2017 6:30 PM
First Floor Conference Room

In Attendance

Board Members: Suzanne Taylor (Chairperson), Carl Fortuna, Paul Tracey, Carol Voigt, Rowena Moffett.
Town Employees: Lee Ann Palladino (Finance Director), Janet Vinciguerra (Accounting Liaison), Consultants: Tom Forma and Kevin Nichols (Morgan Stanley), Becky Sielman (Milliman, via conference call). Others: Timothy Kellogg (Recording Secretary).

Welcome and Public Comment

Chairperson Taylor called the meeting to order at 6:34 PM. Chairperson Taylor noted that Becky Sielman from Milliman would join the meeting via conference call at 6:45 PM. There was no public present for comment.

Minutes

The regular meeting minutes of May 25, 2017 were reviewed. A **motion** was made by Carl Fortuna and seconded by Paul Tracey to approve the minutes as corrected. Discussion of corrections took place. All in favor. Minutes approved as corrected.

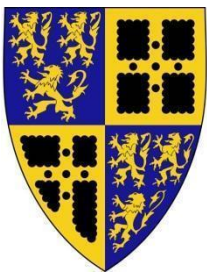
Chair's Report

Chairperson Taylor shared about the passing and the funeral of Ron Baldi. The Pension Board sent flowers. There was discussion of developing a resolution in memory of Ron Baldi. Discussion of the resolution took place. J. T. Dunn is helping with the resolution. Chairperson Taylor distributed a Harbor News article describing the Old Saybrook Board of Selectmen's official acceptance of our new Defined Contribution Pension Plan. She expressed compliments to Becky Coffey for her article, explaining the plan in an easy to understand fashion.

Actuary's Report

Becky Sielman joined the Board via conference call at 6:50 PM to discuss valuation of Other Post Employment Benefit ("OPEB") matters. Lee Ann Palladino recapped prior details regarding the GASB categorization of the OPEB funds and whether or not an OPEB Trust fund should be considered. The purpose of the OPEB memo was reviewed. Lee Ann highlighted OPEB liability and retiree healthcare. A discussion of available options took place. Becky Sielman highlighted that total assets and liabilities, regardless of which plan they were generated from, are considered in totality by the rating agencies when assessing the financial health of the Town. Becky addressed quantitative versus qualitative ratings and interest rate assumption with regard to OPEB. Lee Ann noted the town's budgetary approach which was funding benefits on a pay as you go basis and that no money

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has ever been withdrawn from the OPEB fund. Becky highlighted healthcare costs, premiums, and averages. Discussion of liabilities being incurred as well as the fact that future liabilities will be decreasing as health insurance for retirees is not being funded for new hires.

Chairperson Taylor noted that the goal of the discussion is to decide what to do with the OPEB trust funds. Carl Fortuna provided historical context of healthcare options for retirees. Further discussion of healthcare costs and liabilities took place. Further discussion of realistic options took place. Life insurance liability was noted by Chairperson Taylor. Becky discussed the option of pre-funding benefits. Paul Tracey asked about options for the OPEB trust to be invested into the pension plan. Further discussion took place. A decision will be made at the regular meeting in September.

Financial Reports

Tom Forma and Kevin Nichols provided the Morgan Stanley report. Kevin reviewed the time weighted performance summary. The rate of return is up 11.06%. Kevin reviewed the manager combination discussion from the May 25, 2017 meeting. Proposed manager options were reviewed. Kevin Highlighted Aristotle combined with Equity Investment Corps performance, as compared to, Eaton Vance. Tom noted market collapse history, projections, and downside protection. Tom and Kevin's suggestion is to reposition the overall equity portfolio. Tom highlighted the roles of various managers. The goal of the equity allocation is to protect the funding ratio by lowering overall risk. Chairperson Taylor asked for a recommendation.

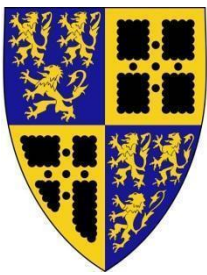
A **motion** was made by Carl Fortuna and seconded by Paul Tracey to accept the recommendation made by Morgan Stanley. The recommendation was to sell 5% of total assets from the Hancock position and sell 100% of the Eaton Vance position. The total of those proceeds will be split in half and re-allocated between Aristotle and Equity Investment Corp. All in favor motion passed. This recommendation will be applied to both the firefighters pension and employee pension plans.

Chairperson Taylor mentioned the July OPAL conference on Public Funds to be held again in Newport and suggested that others might want to attend including Carl as Lee Ann will be on vacation this year.

Tom and Kevin left the meeting at 8:07 PM.

Finance Director's Report

Lee Ann Palladino had nothing further to report.



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Pension Liaison" s Report

Janet Vinciguerra reported that the first in-house pension payroll took place that day and went smoothly. Janet will prepare a memo attachment explaining the new payroll format. Janet provided a list of recent retirements for the board and gave a brief review of retiree status updates. Three new retirements were reviewed: Robert Fish, Michael Prisloe, and Sgt. Jay Rankin. Mention was made about Lt. Roche's pending retirement from the Police Department.

Selectmen's Report

The AIG Request regarding a potential retirement seminar was briefly discussed. Carl Fortuna will respond to the request.

Discussion of the review related to the Firefighter benefit calculation and the interpretation (see addendum) of the Fire Fighter pension plan documents by the Town's pension attorney related to the return to active duty for James Millsbaugh. A **motion** was made by Paul Tracey and seconded by Carl Fortuna that James Millsbaugh be eligible for the 23 years at \$174.00/month plus 1 year at \$270.00/month for 2016, 23 years at \$174.00/month plus 2 years at \$270.00/month for 2017, and at the end of 2018 all 26 years at \$270.00/month assuming he meets the requirements for earning additional years of service – to be complete at January 1, 2019. All in favor so the Motion was approved.

Other

The resignation of Donn Dobson was addressed, with relation to pension benefits. Pension benefits are the only remaining benefits for Mr. Dobson no further OPEB are available for him due to the settlement worked out.

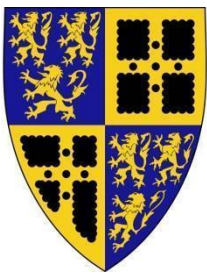
There have been no new updates on providing Long Term Disability for new plan participants. This is still in process.

Old Business

No remaining old business.

New Business

No new business.



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A **motion** to adjourn was made by Paul Tracey and seconded by Carl Fortuna at 8:40 PM.

Next Meeting: Thursday, September 28, 2017

Respectfully Submitted,

Timothy Kellogg,
Board Secretary



Richard I. Cohen, Esq.
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rcohen@goodwin.com

May 26, 2017

VIA EMAIL

Carl P. Fortuna, Jr.
First Selectman
Town of Old Saybrook
302 Main Street
Old Saybrook, CT 06475

Re: Pension Benefit Calculation for James Millspaugh

Dear Carl:

At your request, I have reviewed the Town of Old Saybrook Fire Company No. 1 Retirement Plan to determine the retirement benefit calculation that would apply to James Millspaugh. My understanding is Mr. Millspaugh retired from service as a volunteer firefighter with the Town Old Saybrook ("Town") in 1996 with 23 years of service, and during 2016, he returned to service as a volunteer firefighter with the Town. Based on my review of the Plan provisions and his service, I believe his pension benefit under the Plan would be calculated, as follows:

1. Section 4.1 provides that for those firefighters who became inactive prior to July 1, 2003 (as Mr. Millspaugh did), his pension equals \$174 multiplied by his Years of Service, up to a maximum of 25 years. This produces an annual pension of \$4,002 for him, based on his 23 Years of Service through 1996.

2. Now that Mr. Millspaugh has resumed service as a volunteer firefighter with the Town, Section 7.2 will apply to him. That section, titled Returning to Active duty from Inactive Status, in the first sentence, provides that in the event Mr. Millspaugh "completes three (3) additional years of volunteer service," then all of his Years of Service which accrued prior to his going to Inactive Status (in 1996) plus his years after he resumed service will be counted under the Plan pension formula at the rate of \$270, up to a maximum of 30 years. (See Section 4.1 (a) of the Plan.)

First Selectman Fortuna

May 26, 2017

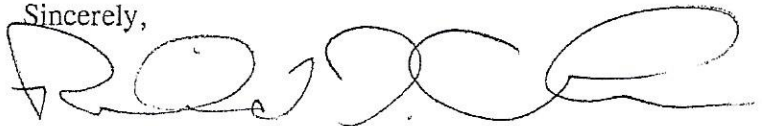
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3. At the present time, since Mr. Millspaugh has not yet earned three additional Years of Service since he returned to service in 2016, his prior Years of Service are still calculated using the \$174 multiplier. His future Years of Service will count as Years of Service at the rate of \$270 per year (up to the 30-year overall maximum) pursuant to Section 3.5(a) of the Plan. When, and if, he earns the three additional Years of Service, then he will qualify, pursuant to Section 7.2, for the \$270 multiplier applying to all of his Years of Service, including his 23 years that he had completed when he retired in 1996, up to the overall maximum of 30 years.

What is somewhat unclear in the Plan is how Years of Service, as defined in Section 1.18, are computed by the Plan. There is reference to a requirement of earning 150 points "as stipulated by the bylaws of OSFC *during* each calendar year." (Emphasis added.) So it needs to be determined whether Mr. Millspaugh earned a Year of Service for the 2016 calendar year, even though his service was only for part of 2016. The Retirement Board may wish to clarify whether the volunteer firefighter must complete an entire calendar year to earn a full Year of Service, even if he or she has earned the requisite 150 points during the year. The Retirement Board may wish to amend the Plan to clarify the requirements for earning a Year of Service under the Plan or establish guidelines that apply to this computation.

If you have any questions, please do not hesitate to call me.

Sincerely,

A handwritten signature in black ink, appearing to read "R. I. Cohen", with a stylized flourish at the end.

Richard I. Cohen