

**TOWN OF STONINGTON
RETIREMENT BOARD
December 10, 2013**

The Stonington Retirement Board held a special meeting on this date at 9:00 a.m., at the Stonington Police Station. Board members present were: Maryanna Stevens, Chairman; Bill King, and Frank Todisco; John O'Brien was present via telephone. Also in attendance were Christopher Rowllins and Devon Francis, representing Fiduciary Investment Advisors (FIA); and Evan Woollacott, Jr. from Hooker & Holcombe, Inc.

The meeting was called to order at 9:02 a.m.

Review of Actuarial Valuation 07/01/2013:

Mr. Woollacott reviewed the Actuarial Valuation 07/01/2013. The report is on file in the Dept. of Administrative Services. The assumptions used for the Valuation are on page 17 of the report. The assumptions are: 7.5% rate of investment return (net of investment management fees); salary increases per the Graded schedule; date of employment as entry date; retirement age earlier of age 62, 35 years of Credited Service or valuation date plus 1 year; and the RP-2000 Mortality Table. Mr. Woollacott stated that he will look at the Retirement Assumption, since people are retiring later; and the Return. The Mortality Table is being updated and will be used when available, since people are living longer.

Some of the points Mr. Woollacott noted regarding the valuation are as follows:

- The actuarial value is less than the market value, which is rare.
- The \$3,140,405 loss in 2008 is now fully recognized, which gives a buffer in the funding.
- The Unfunded Accrued Liability dropped from \$5,229,648 as of 07/01/2012 to \$5,012,245 as of 07/01/2013, therefore, the funded ratio as of 07/01/2013 increased to 83% from 81%.
- The Town's contribution cost for Fiscal Year 2013-2014 is 11.9% of Payroll, down from 12.4% in FY2012-2013.
- The actuarial assumptions worked well this year. "The actuarial experience loss of approximately \$88,000 was .3% of the accrued liability of approximately \$29,340,000. The assumptions were 99.7% accurate this year."

Mr. Woollacott stated that the Town has a nice Town Funding Policy. Town funds the Annual Required Contribution (ARC) and makes a supplemental appropriation if the funding falls below 80%. This works fine for the New GASB standards effective for fiscal years beginning after June 15, 2014. The ARC will be eliminated in favor of the Actuarial Determined Contribution (ADC). The Town needs to establish a funding policy for the new GASB requirement. However, Mr. Woollacott suggested that the Retirement Board stay with the current policy at this time.

Review/Discussion of COLA Estimate:

Mr. Woollacott reviewed the letter he sent to Ms. Stevens on December 3, 2013, which estimated the cost of a one-time COLA for current retirees. He stated that he followed the plan that was done in 1999. Those retired the longest received the highest percentage increase. The increase was 1/12 of 1 % for every month the participant was retired. For example, those retired for 3

years, would receive a 3% increase. The highest increase was 10%. This plan can be tweaked to reduce the percentage for each year retired and then increase the scale. It is not as expensive to give the older retirees an increase. Retirees have past service cost, but not future service cost, however, the past service cost with a COLA would result in the increase pension contributions of approximately \$71,000 per year for 20 years. Mrs. Stevens asked Mr. Woollacott for the breakdown of the retirees by the number of years retired. Mr. Woollacott will send her the spreadsheet with this information. Mr. Woollacott noted that a 5% increase for those retired 5 years is pretty substantial in this economy as opposed back in the 80s when inflation was higher. It is also proposed in the new GASB standards to build a COLA into the recommended contribution if a COLA is given every 3 years. However, if the Town is only doing an occasional ad-hoc COLA every 10 to 15 years, it is not necessary. Ms. Stevens stated that it is not the Board's intention to build a COLA into the plan on a regular basis. Ms. Stevens requested that Mr. Woollacott do an analysis using a $\frac{1}{2}$ % & $\frac{1}{4}$ % COLA with the 10% cap. The Board will review Mr. Woollacott's analysis at the next meeting and make a decision to move forward or not. A COLA would need to go to Town Meeting for approval.

Review of Fund Performance:

Mr. Rowllins reviewed the 3rd Quarter Investment Review ending September 30, 2013. The report is on file in the Department of Administrative Services. The report contains the following:

Capital Markets Overview:

- Market & Economic Review
- Index Results
- Domestic Equity Review
- International Equity Review
- Fixed Income Review
- Alternatives Review
- Capital Market Themes
- Capital Markets Themes
- Domestic Equity Valuations
- International Equity Valuations
- Fixed Income Spreads over Treasuries

Portfolio and Manager Review:

- Asset Allocation Compliance
- Total Plan Performance Summary
- Historical Hybrid Composition
- Manager Performance Overview
- Manager Scorecard
- Financial Reconciliation
- Market Value & Flow Summary since Inception through September 30, 2013
- Manager Evaluation
- Fee Analysis

Mr. Woollacott noted that the Asset Allocation is close to the Target Allocation, which appears that FIA is doing rebalancing. Mr. Rowlins stated that when the portfolio reaches a target allocation, FIA works with Bank of America to rebalance the portfolio. Ms. Francis stated that they don't rebalance without permission from Ms. Stevens. Mr. Rowlins stated that pages 18 – 21 looks at the aggregate performance of portfolio and the individual manager performance. Pages 18 & 19 contain narrative from FIA's Manager Research Group which helps to explain what is driving the performance from these managers in the portfolio. FIA's analysis conducts quantitative and qualitative due diligence of manager performance. There is a status column with "Maintain" for each manager, which indicates that they are meeting the status that is formulated by FIA's Investment Committee. Mr. Rowlins stated that the portfolio is up 16.1% net, and the Benchmark is at 14.6%, year-to-date, as of November 30, 2013. That is about 150 basis points of excess return on a one year basis.

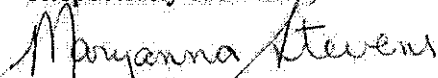
Mr. O'Brien made a motion to accept F.I.A.'s Fund Performance report. Mr. Todisco seconded and it was unanimously voted.

Approval of Minutes of 08/13/2013 Minutes:

Mr. Todisco made a motion to approve the Minutes of the 08/13/2013 meeting. Mr. King seconded and it was unanimously voted.

There being no further business to come before the Board, Mr. O'Brien made a motion to adjourn. Mr. Todisco seconded and it was unanimously voted. The meeting adjourned at 10:10 a.m.

Respectfully submitted,


Maryanna Stevens,
Chairman

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