

Pension and Benefits Board 2014-15

This past year has seen several changes of personnel as well as our success in preservation and improvement of capital in both finances and benefits.

Two new members of the board have been appointed to serve as replacements for two who chose to no longer serve. Attorney Stephen Sheehan, who served for 23 years, decided not to seek reappointment. His many years of long standing help have been deeply appreciated by the Board members with whom he served. Although service of only a few years the Board also appreciated the most helpful service of Board member Gary Lehrman as he focused his efforts on the new 457 personal savings plan with ICMA.

Named to replace Gary Lehrman in the early fall of 2014 was Paul Tracy and named in January to replace Steve Sheehan was Lynn Dallas. We welcome them both and appreciate their efforts to get acquainted with the many pension and insurance issues facing current and future retirees.

As for the financial outlook this past year the Board has continued to maintain sufficient funds to provide the retirement money needed for both the town employees' pension as well as the volunteer firefighters' plan. As of June 30, 2015 the plan assets totaled slightly over 20 million dollars, with a net return of 3.97% minus fees. The prior fiscal year's results of nearly a 17% return has also continued to be helpful.

Based on the most recent valuations concluded on data for FY ending June 30, 2014 the town pension was actuarially funded up to 84% and the fire fighters plan is on a 20 year amortization schedule and the funds if frozen now are predicted to last until 2088. But additional funding is committed according to that recommended by the actuary. The amount required by the actuary for this plan amounted to \$127,411.00. For 2014-15 the required amount provided was \$117,695.00. No additional contributions are required from the volunteers .As of July 1, 2014 the new and more generous pension plan for the fire department volunteers became effective and we believe has helped in retention of volunteers, as the membership is slightly over a 100 active members. According to former Fire Chief, J.T. Dunn this number far exceeds those of all the other shoreline volunteer fire department membership. J.T. Dunn also continues to be the board's pension liaison and we appreciate his maintenance of the official service records and data required by the actuary for the appropriate bi annual valuation.

In the town plan, however, employees contribute 5 % of payroll and the town's contribution varies. It was 6.5% for 2014-15 and will rise to 6.75%. It should be noted that the Actuarially Determined Contribution suggests a slightly higher amount being desirable.

A Brief Chart taken from the most recent valuation explains the overall financial data:

Employer Contributions amounted to	\$411,211.00
Employee Contributions amounted to	\$337,236.00
Benefit Payments amounted to	\$1,101,947.00
Realized Gains amounted to	\$2,500,780.00

Thus in general terms the fund gains along with contributions more than offset the costs for 2013-14.

Along these lines the Board spent several months to create a new Government Accounting Standards Board fiscal policy, known as GASB 67/68. The policy was adopted by the Board of Selectmen last summer and is available for review. Additionally in October 2014 the Board revised its Investment Policy which outlines details governing our perspective and requirements of investment. The amount allowed to be invested in equities has been raised 5% to 75%. International investment is allowed but no hedge funds, private equities or real estate are allowed.

Another change occurred in the fall of 2014 when Merrill Lynch Wealth Management decided that it no longer wanted to be in the business of public sector investments. So after considerable review the Board voted to continue with our same financial consultants as they migrated to a new firm for them, Morgan Stanley, with an office in West Hartford. We are pleased to continue our relationship with Tom Forma and Kevin Nichols and thank them for their many years of service. Currently our funds, according to our investment policy are invested with the following firms: Eaton Vance LCV, John Hancock LLC, London Small Cap, Invesco International Growth, Davidson All Cap Core and Neuberger Fixed Income.

Not only do we manage the pension funds but there is a small fund of slightly over a million dollars to prefund the pending liability for current and future retirees benefits, both health and life insurance. An actuarial valuation to measure this liability is required by GASB to be done every other year and was completed in June of 2015.

While GASB would expect us to be more fully funded we are doing more than most communities along this line and of course since for the past several years no new hires will receive health insurance from the town at retirement this liability will continue to diminish.

A third fund is the Board's fiduciary responsibility and is the 457 ICMA fund made available on a tax free basis to encourage additional retirement savings. This is only the third year that the fund has been available for payroll deductions and personal choices made possible through the ICMA Company consultants. As of June 30, 2015 some \$1,337,907.75 is under management for approximately a third of the workforce. Our thanks to Laura Hancock for her special advice and

reports to employees and to our board. Recently the Board voted to permit a Roth format to be available, where the distribution will be tax free, rather than the current tax free funding.

One area of considerable contention that occurred during the spring is the provision of life insurance to employees at and during retirement. A change in insurance brokers and providers brought about a discovery that no clear policy existed concerning this expectation and so for now a partial resolution has been established that those already retired will be eligible for life insurance as they had expected and this will be clarified shortly. For those not yet retired just what amounts of life insurance will be provided at retirement is still under exploration.

Also agreed at the June 2015 meeting was the intention to pursue a further study of a reform of the current pension system. Toward this end informal RFPs were authorized to be pursued from our current actuary as well as three others.

Many thanks are also due to our current board members for their willingness to tackle these complex and difficult issues in light of today's uncertain economy. We also commend our actuary, Steve Lemanski of Milliman for his many reports, personal assistance and benefit calculations provided to us during the past year. Kudos to those board members who have attended extra training sessions of the Connecticut Public Pension Forum and to the patience and helpfulness of our Pension Board Liaison, Sharon Migliaccio and our secretary, Kathy Duncan. Also our thanks to the assistance and caring of our Financial Director Lisa Carver.

Suzanne Taylor, Chairperson

Pension and Benefits Board Members 2105-2016

Steven Sheehan until Dec. 31, 2014

Gary Lehrman until August 30, 2014

Paul Tracy appointed as of fall 2014

Lynn Dallas appointed as of January 2015

Carol Voigt

Eileen Torrenti

Ray Muratori

Carl Fortuna as First Selectman

Suzanne Taylor, Chairperson

Secretary Kathleen Duncan

Accounting Liaison Sharon Migliaccio