

Pension & Benefits Board

During the past year the markets have been unstable with the pension plan market value continuing to move as though on a roller coaster and while starting stronger than the prior year it ended in nearly the same place at \$19,979,256. The performance of the pension plan for the Fiscal Year was virtually flat, with bonds outperforming equities during the year. The list of fund managers has changed and now includes the following: Eton Vance, a large cap value manager, with \$4.1 million; John Hancock large cap stocks with \$4.6 million; Great Lakes all cap with \$2.9 million; Reinhart Bonds with \$6 million; and Invesco International with \$2.4 million.

Also under separate management is the Other Post-Employment Benefits (OPEB) fund totaling \$1,171,625. These funds are managed by Alliance Bernstein with \$150,187 of growth stocks; J.P. Morgan with \$228,000 in equities; bond managers Epoch with \$236,000 and Delaware with \$557,438. The annual rate of return for the OPEB portfolio was 2.14%.

Most sorrowfully was the loss of our finance director, Lisa Carver, who died in February much too early. She was our first finance director and accomplished a great deal of important and helpful changes for our town. The appointment of Lee Ann Palladino as interim director fortunately concluded with her appointment to the full time position. Her past experience as Chief Investment Officer of the Connecticut State Retirement Plans and Trust Funds has continued to be of great assistance to our Pension Board.

Also during the year our recording secretary Kathy Duncan resigned due to an improvement in her career which required additional time and effort. She has been replaced by Timothy Kellogg. Our two more recent board members have continued to be of major assistance and we are pleased to have Paul Tracy as our special liaison to the ICMA 457 plan that provides an additional mechanism to save for retirement via non- taxable payroll deductions. To date over a third of our employees participate in this plan; the total value has exceeded a million dollars since it was started 3 years ago. Lynn Dallas' recent experience with Human Resources at the State of Connecticut has benefited the board in understanding this aspect of pension planning.

The question of life insurance benefit levels for retirees has been resolved with the hiring of AIG. Letters were sent in the spring to 43 retirees assuring them that the amount of life insurance protection they had expected has been purchased and remains in force. Revisions in the amount of life insurance provided for active employees upon their retirement have also been re-determined and communicated to them.

The greater part of our year has focused on reviewing the amount of funding available for both the Town employees and the Volunteer Fire Department plans. Toward this goal we hired our actuarial firm, Milliman Inc., to conduct a study of possible ways to reformat the town employees plan.

The Fire Department plan will continue to be funded as it has been since inception in 1994 with the full amount recommended by the Actuary. The cost to the town has increased along with the benefits. Originally the maximum benefit was only \$174 per year of service up to 25 years, by July 1, 2014 the benefit increased to \$270 per year up to 30 years of service for a maximum amount of \$675 a month. Originally the annual contribution from the town was \$35,000 and it has increased to \$161,102 for 2016-2017. This actuarially determined amount is put into the fund annually and finds the plan over 50% funded at this time.

We are pleased to recognize the valuable service to the town provided by the fabulous volunteer fire fighters who number almost a hundred. They are one of the largest, and certainly the best in our eyes, along the shoreline and for that matter in Connecticut.

As to the Town Plan, the First Draft of the Pension Reform Study was shown to the Pension Board in May. Numerous questions were posed and ultimately referred back to the Actuarial Firm for more details, which are still pending as of this writing.

However, with the release of two actuarial studies for the town plan, we can plainly see the need for additional funding or some other solution. The annual valuation under the GASB 26/27 (Government Accounting Standards Board) rules shows the pension plan as funded some 83% but still needs more money to continue to meet benefit payments. Under GASB 67/68 the plan is 63% funded and projected to run out of funds in about 29 years. The study will be discussed further as the Pension Board seeks alternatives and continues to look for assistance in addressing this issue.

Another concern of the Pension Board is that of health insurance for both the active and retired employees. Currently the High Deductible Health Insurance Plan continues to be provided with ConnectiCare and the finances are in a Health Savings Account. While health insurance premiums continue to rise, staying with the current carrier, and the First Selectman's negotiating efforts, has kept the Town's costs in check. Several years ago new hires were not offered retiree health care so this liability to the Town will continue to diminish, although the liability is almost seven times the amount we have in the OPEB.

Many thanks are expressed to the following: Tom Forma and Kevin Nichols of Morgan Stanley for financial advice, to Laura Hancock from ICMA whose assistance with the 457 plan has made it understandable to our employees through

her personal involvement in education programs and efforts to increase participation.

Special thanks are also offered to our employee liaisons: Sharon Migliaccio and Janet Vinciguerra, who help with the day to day administrative functions, and of course to the special insight provided by our new Finance Director, Lee Ann Palladino.

More thanks go to our First Selectman, Carl Fortuna, for his special advice and concern as well as to the other appointed members of the Pension Board who volunteer their time to oversee the finances and other administrative duties: Eileen Torrenti for her knowledge of health issues, Ray Muratori for his legal insight, Carol Voigt for her special retiree concern, and previously mentioned Paul Tracy and Lynn Dallas. Pension Board members also have spent extra time to attend special training through the biannual educational seminars sponsored by the Connecticut Public Pension Forum.

Lastly, a special acknowledgement goes to Past Fire Chief J.T. Dunn for his time and efforts keeping track of the fire fighters service time and eligibility as well as compiling all the data for the actuarial biennial valuation.

Suzanne S. Taylor, Chairperson