

Old Saybrook Pension and Benefits Board

Wednesday, April 15, 2020

8:30 a.m.

First-floor Conference Room, Town Hall – Teleconference

To access the audio recording of this meeting , please click the following link:

<https://www.youtube.com/playlist?list=PLKX0JMf1KPP9E7-kYgsPT-ctZf6o5IAGs>

Meeting Minutes

Attendees

Members Present:

Darrell Pataska (Chair)

Suzanne Taylor (Vice-chair)

Lynn Dallas

Carl Fortuna, First Selectman

Rowena Moffett

Paul Tracey

Others Present:

Lee Ann Palladino, Finance Director and
Pension Plan Administrator

Janet Vinciguerra, Pension Board Liaison

Jennifer Donahue, Board Secretary

Kevin Nichols, Morgan Stanley Investment Advisor

Joe Matthews, Morgan Stanley Investment Advisor

Absent: David Sparrow

Welcome and Public Comment

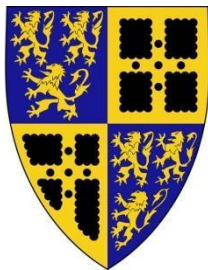
The meeting was called to order at 8:31 a.m. by Mr. Pataska.

Approval of the Minutes

The minutes of the March 26, 2020 meeting of the board were reviewed. A **motion** was made by Mr. Fortuna and seconded by Mr. Tracey to approve the minutes as submitted. Dr. Taylor asked for two amendments: 1) under old business she asked that the bill be delineated as SB#392 for clarification and 2) under the plan administrator's report that clarification be added that the request for information will be for companies who would like to submit proposals to be considered as a possible new administrator for the town DC plan. Mr. Fortuna made a **motion** to accept the minutes as amended, which Mr. Tracey seconded. All were in favor and the motion was approved.

Chair's Report

Mr. Pataska welcomed the group and noted that he hoped everyone was staying safe during this unique time. He also praised the daily emergency updates being provided to town members stating that they are very helpful in keeping everyone informed locally. Mr. Fortuna thanked him for his feedback and reported that he has a daily conference call with emergency operations, police, fire, ambulance, school



administrators and the Board of Selectmen where they each report. Those comments are then incorporated by the chief of police into the daily bulletin.

Mr. Tracey asked what kind of financial impact recent events are having on the Town. Mr. Fortuna reported that they are currently planning for a shortfall in revenue of \$120,000-130,000, though the total financial impact right now is unclear. He hoped there will be a better picture in June. He predicted the end of this fiscal year will be ok, but it is unsure what the next fiscal year may be like if property tax collections do not meet expectations. He noted the Town has a healthy rainy day fund that can be used to offset revenue shortfalls. With the state's ability to fund municipalities possibly in doubt, the 2022 budget may need to be adjusted. Ms. Palladino noted that when they looked back at property tax collection during the Great Recession, they were still able to maintain the 99% collection rate projections.

Mr. Fortuna also reported that towns were recently asked by the governor to adopt at least one of two proposed options to help people meet their property tax obligations during this time. The Board of Selectmen voted to adopt an extension for property tax payments through October 1 with an annualized interest penalty of 3%. This is available for any Old Saybrook resident.

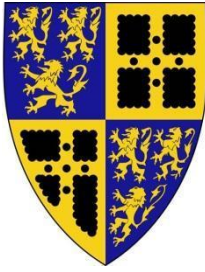
Ms. Moffett noted that she has seen a number of private employers begin eliminating their pension plan matching contributions. Mr. Pataska noted that others are putting off when they make the contribution deposits in order to conserve cash and that, in the future, rules may loosen for the allowances for people to take loans from their pension plans. Mr. Fortuna noted that the Town's pension matching contributions are part of the collective bargaining agreements and the Town could not choose to stop making them. He also noted that the Town does not allow loans to be taken from pensions. Ms. Palladino reported that the Town makes its defined benefit contributions quarterly typically in September, December, March and June but that that timetable could be adjusted if necessary.

Pension Liaison Report

Ms. Vinciguerra provided the Pension Payroll Status Report for April and reported on the DB and DC statistics. There were no changes in the Town's retirees but in May there will be two additional Fire Department retirees. One BOE food service employee has been furloughed due to COVID-19. Five people have filed unemployment claims, but these were non-union part-time employees working less than 20 hours who were not entitled to benefits.

Investment Advisor Report

Mr. Nichols reported that they expect a Y-shaped recovery in terms of GDP. They are also expecting the recession to be very severe but quick, with recovery predicted in eight quarters versus the 14 it took during the 2008 crisis. He discussed how there has been a persistent bear market for some time and that at the end of March for the 20-year period between 2000 and 2020 for the first time, bonds outperformed the S&P 500 and no asset class averaged an annual return of more than 10%. He also



stated that the adjustments to the portfolio that the board approved at the last meeting have been beneficial.

In response to comments from Mr. Tracey, Mr. Nichols recommended keeping the corporate bond ladder and rotating out of immediate term bonds and putting that into the S&P 500 or a similar manager. Mr. Tracey noted his concerns with emerging markets and the international markets in general. Mr. Nichols acknowledged that they do not have the stimulus power of the U.S. to throw money at a problem to stave off a bigger problem but, whereas the U.S. was not well prepared for a health crisis like this, some of those other countries are more used to this scenario and it will give them the edge in returning to growth quicker than the U.S. He noted that Singapore is back to life as usual and Vietnam has the best stock market in the world right now while the U.S. dollar will continue to weaken for a time.

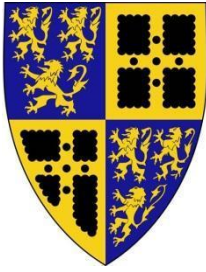
Ms. Palladino pointed out that when the board revised the IPS last May it deliberately went a little more conservative and diversified a little more and this asset allocation has worked as expected even though the market has fallen. Mr. Nichols added that each manager that the Town plans are working with have fallen less than their market indices. The high-yield fixed-income and mid-cap growth managers have both outperformed. All of this supports the goal of investments that would outperform benchmarks even during challenging times.

Mr. Nichols concluded his report noting that for the fiscal year, and as of 4-14-2020, the Town plan is down 4.4% and the Fire Department plan is down 4.7% as both have made a good recovery. He also reviewed why several funds fell outside their benchmarks this quarter.

Ms. Palladino indicated that the Annual IPS review would be an agenda item for the next meeting in May. She also reviewed the running list on page 13 of the Morgan Stanley report detailing proposed changes to the IPS in May, including:

- 1) Page 11, under "Exclusions": consider replacing the word "exclusion" with "non-permissible investments"
- 2) Page 10, under "Diversification Requirements": consider using the word "minimize" instead of "maximize" in the IPS sentence, "To maximize the risk of large losses, each investment manager shall maintain adequate diversification..."
- 3) Page 9, under "Fiduciary Responsibilities": Consider requiring consultants (investment and actuarial) to have sufficient cash and capital to remedy mistakes or problems of their creation that would not be covered by insurance. The requirement could equal a percentage of the portfolios, such as 5% or 10%.

Ms. Palladino noted that she recommended that number 1 be adopted and that number 2 was a correction of a typographical error and should also be adopted. She noted that 3 was a recommendation of Morgan Stanley and that it would mean that the board would only be able to do business with very large companies which should be a point of discussion when considering it.



ICMA Quarterly Report

Mr. Tracey reported that there are ten additional participants this year. He noted that the 457 market value is down by 10% and the 401 market value is up by 2.01%, mainly due to new contributions during the period exceeding the investment losses.

Plan Administrator's Report

Ms. Palladino noted that she will have more to report at the next meeting related to the DC plan and the proposal to collect the names of companies to ask to express interest in administering the Town's program.

Old Business

Mr. Fortuna asked, at the request of Ms. Palladino, to postpone discussion of compensation for the plan administrator until things normalize and the board is able to meet again in person. Mr. Pataska noted that any decision related to this matter should take into consideration future administrators who may not have the qualifications of Ms. Palladino.

New Business

There was no new business.

A **motion** was made by Mr. Tracey and seconded by Mr. Fortuna to adjourn. The meeting adjourned at 9:56 a.m.

Respectfully submitted,

Jennifer Donahue

The next meeting will be Thursday, May 28, 2020 at 8:30 a.m. in the Town Hall, first-floor conference room.