

Old Saybrook Pension and Benefits Board

Thursday, May 28, 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://youtu.be/RQmQZjTy8IY>

Meeting Minutes

Attendees

Members Present:

Darrell Pataska (Chair)

Lynn Dallas

Carl Fortuna, First Selectman

Rowena Moffett

David Sparrow

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: Suzanne Taylor (Vice-chair)

Welcome and Public Comment

The meeting was called to order at 8:32 a.m. by Mr. Pataska.

Approval of the Minutes

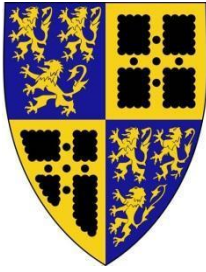
The minutes of the April 15, 2020 meeting of the board were reviewed. A **motion** was made by Mr. Tracey and seconded by Ms. Dallas to approve the minutes as submitted.

Chair's Report

Mr. Pataska gave best wishes to everyone. He reported that the town has convened an Old Saybrook Recovery Task Force as it opens up again during the pandemic. Mr. Fortuna explained that the task force is a long-term recovery committee with about 20 members and 10-12 subcommittees focused on specific sectors which may encompass additional members in those groups. Mr. Pataska noted that the town has good infrastructure in place and is being proactive rather than reacting to events as they come up.

Pension Liaison Report

Ms. Vinciguerra provided the Pension Payroll Status Report for May and reported on the DB and DC statistics. Two additional Fire Department retirees have been added and one BOE member will be added



in June. Two additional FD retirees are anticipated over the summer. DB and DC enrollment numbers have stayed the same since last month.

Mr. Pataska asked Ms. Palladino if there were any plans to change when the town made its pension plan contributions based on financial circumstances this year. Ms. Palladino reported that there will be no change to the contribution schedule.

Ms. Moffett conveyed a request on behalf of Dr. Taylor that employees should be assured that there will be no change in the town's contributions to their retirement plans. Ms. Palladino noted that she did not think employees are particularly worried about this as it is mandated as part of the collective bargaining agreements with the unions, but that a note could be put in the next employee newsletter regarding the strength of the town's finances.

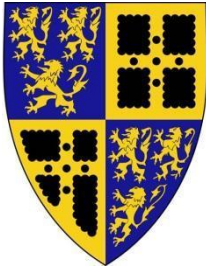
Plan Administrator's Report

Ms. Palladino reviewed the fiduciary responsibilities of the board as a reiteration of the reasoning behind an annual IPS review. She also noted that there have been no compliance violations over the last year. She reported that any modifications made to the IPS will go to the Board of Selectmen for review. Proposed modifications are as follows:

- 1) Under Section III "Return Objectives": the assumed rates for both the town and FD plans should be changed to 7.125% with an approval date of March 2020
- 2) Under Section V "Fiduciary Responsibilities": "Maintain adequate fiduciary liability insurance and bonding for the management of this account." should be a second bullet point. A third bullet point should be added: "The PBB should review the firm's cash and capital levels to ensure that sufficient balances are available to remedy mistakes or problems of their creation. A minimum capital percentage of 5% is recommended. However, the PBB may waive this recommended capital level at its own discretion after thorough consideration of all factors surrounding the relationship. In the case of Investment Managers, the Investment Advisor should at least minimally review the manager's capital ratios and report to the PBB."
- 3) Under Section VI "Diversification Requirements": use the word "minimize" instead of "maximize" in the IPS sentence, "To maximize the risk of large losses, each investment manager shall maintain adequate diversification..." to correct a typographical error
- 4) Under Section VI "Exclusions": replace subheading "Exclusions" with the subheading "Non-Permissible Investments"

Mr. Tracey complimented the evolution of the IPS and noted that it expresses the goals of the board very well. He suggested the following additional changes:

- 1) Under Section V, "Responsibilities of the Investment Managers," he recommended that the first sentence be changed to read: "It is the *Investment Advisor's* responsibility..." (emphasis added)



- 2) Under Section VI, "Investment Strategy," he recommended the first sentence be changed to "The investment advisor will *select* new...." (emphasis added)

He stated that the reason for these changes was to take the burden of investment manager selection off of the PBB and place it with the investment advisor. The Investment Advisor has the proper tools and expertise to carry out these selections whereas the PBB does not.

In response to a question, Ms. Palladino clarified that the board will no longer review investment managers. That function will be performed by the investment advisors who will be responsible for reporting any changes in investment management to the board.

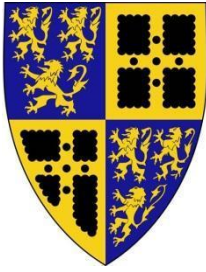
Mr. Tracey made a **motion** to approve the changes to the IPS as discussed. Mr. Fortuna seconded the motion. All were in favor and the motion passed. Ms. Palladino noted that she will put the revised IPS on the agenda for the Board of Selectmen and provide an updated copy for PBB members at the June meeting.

Ms. Palladino reported that the benefits meetings for employees have all been put on hold since in-person meetings cannot be held. She is hopeful that those meetings may be possible in the fall. She noted that the board's focus on benefits this year is on the right track despite this setback. An update on the benefits meetings can also be included in the employee newsletter. In regard to the DC plan review planned for 2021, she advised that the timing to begin this project would be best in September when the board begins meeting again after the summer hiatus.

Old Business

Mr. Pataska asked the Morgan Stanley representatives to comment briefly on market performance. Mr. Nichols reported that the markets have had a strong couple of months where small caps, high yield and growth have done well. He noted that for the fiscal year, net of fees, the town plan is up 1.52% and the FD plan is up 0.91%.

Ms. Moffett inquired as to whether the Board of Finance had had an opportunity to consider the PBB's pension plan funding recommendation for the next fiscal year. Ms. Palladino and Mr. Fortuna reported that the additional \$180,000 needed to fully fund the pension as advised by the actuarial consultant had been presented to the BOF but that no decisions have been made as yet. Mr. Fortuna did note that though revenues are down for the fiscal year, expenses are also. It looks as if the town may have a small surplus. The BOE is also expecting a significant surplus for several reasons. Though, the BOE may have many additional expenses in the next fiscal year depending on modifications that may need to be made based on Covid-19. He stated that if the combined surplus is enough to maintain the rainy-day fund at 15% and fund other projects, one or more PBB members may want to attend a June Board of Finance meeting to advocate for allocation of surplus funds toward funding the pension plan. He is cautiously optimistic that funds will be available for this. Mr. Pataska noted that he would be glad to attend a meeting on behalf of the board.



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 9:15 a.m.

Respectfully submitted,

Jennifer Donahue

The next meeting will be Thursday, June 25, 2020 at 8:30 a.m. in the Town Hall, first-floor conference room.