

Old Saybrook Pension and Benefits Board

Thursday, August 27, 2020

**8:30 a.m.**

First-floor Conference Room, Town Hall – Teleconference

### **Meeting Minutes**

#### **Attendees**

Members Present:

Darrell Pataska (Chair)

Suzanne Taylor (Vice-chair)

Carl Fortuna, First Selectman

Paul Tracey

Absent:

Lynn Dallas

Rowena Moffett

David Sparrow

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

#### **Welcome and Public Comment**

The meeting was called to order at 8:30 a.m. by Mr. Pataska. Dr. Taylor noted that former board secretary, Tim Kellogg, had been appointed director of the Westbrook Library. She suggested the board wish him well. Mr. Pataska asked Ms. Donahue to draft a letter for Mr. Kellogg from the board.

#### **Approval of the Minutes**

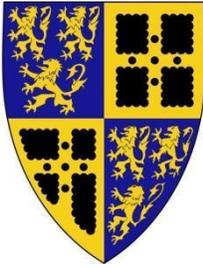
The minutes of the June 25, 2020 meeting of the board were reviewed. A **motion** was made by Mr. Tracey and seconded by Mr. Fortuna to approve the minutes as submitted. All were in favor and the motion passed.

#### **Chair's Report**

Mr. Pataska wished everyone continued health and safety.

#### **Pension Liaison Report**

Ms. Vinciguerra provided the Pension Payroll Status Report for August and reported on the DB and DC statistics. She noted that there are 86 Town retirees and 29 FD retirees, with one new FD retiree added in July and one retiree who is located out of the country who she is still working with to complete the necessary paperwork. She also pointed out that the numbers for the BOE may look a little different because they reflect changes in summer employment for some of those members.



### **Investment Advisor Report**

Mr. Nichols reported that Morgan Stanley is predicting that investors are at the beginning of a secular bull market after two years of rolling bear markets and that the market has recovered well after its fall due to the pandemic. He added that the short-term corporate bond ladder is probably the right place to be, that earnings have not yet caught up and that growth has continued to outperform. Interest rates are expected to stay low through the end of next year but that could change based on the Fed's view of the market over time.

As of the FY end, the Town's plan was up 4% net after fees. In response to a performance question versus the S&P, which has highly outperformed the Town, he noted that the S&P is heavily weighted in tech, which is seeing a spike right now. Generally, those investments are not in line with the Town's IPS. He reported that no changes had been made to investments since the June meeting. He also noted that the developed international market is outperforming the US at this time.

Significantly, he reported that the Town plan is in the top 19% of returns for public pension plans nationwide and in the last quarter was in the top 8% while for the last three years it comes out in the top third. All of the managers but one met their benchmarks in the last FY. Of those who met their benchmarks, all showed positive returns while their indexes posted negative returns.

For this FY he reported that the Town plan is up 8.8% and the FD plan is up 8.45%. Mr. Nichols recommended a switch from Congress mid-cap growth to Nuance mid-cap value to reduce risk, protect this year's gains and as a source of return in the future. Board members agreed that this was in accordance with the IPS and encouraged Mr. Nichols to make similar decisions between meetings when necessary. Mr. Nichols noted that whenever a manager is changed it will be brought to the board's attention for transparency.

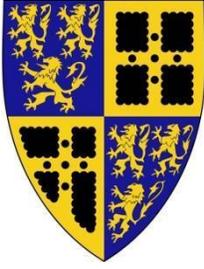
### **ICMA Year-End Report**

Mr. Tracey asked that this report be postponed until the September meeting.

### **Plan Administrator's Report**

Ms. Palladino reported that the Town has finished the FY with a projected 1.7 million surplus – 1.2 million from the BOE, mostly due to savings while the schools were shut down due to COVID-19, and \$500,000 from the Town. Tax collection has been strong for the current FY.

She noted that at the most recent Board of Finance meeting the \$200,000 in additional funding needed to fully fund the Town pension fund annual contribution based on the actuarial recommendation was approved to be allocated from the past FY surplus. Mr. Fortuna noted that normally this would have had to then go before a town meeting but because of the governor's order during the pandemic, the Board of Selectmen had the authority to make the final approval.



Ms. Palladino also reported that Laura Hancock, the Town's ICMA representative, will attend the September meeting as the board will be looking at that relationship this year to make sure the Town is getting the best value for the money. Accordingly, Ms. Hancock has been asked to address nine questions at the meeting. An RFI will then be done to specific vendors, including Morgan Stanley. Mr. Pataska asked that Ms. Hancock also be asked to do the ICMA year-end report when she comes in September. Board members also asked to see the nine questions she will address in advance of the meeting.

Ms. Palladino followed up on the issue of employees who under the CARES Act may have been eligible to make hardship withdrawals from their retirement. Though it is still in question whether that could be allowed under the Town plan, no employees have asked to utilize this feature. Should it come up, it will be addressed at that time.

#### **Old Business**

Old business was covered under the Plan Administrator's Report.

#### **New Business**

Mr. Fortuna reported that two of the four town unions were up for negotiations at the end of June, the Police Union and the Supervisor's Union. The Supervisor's Union has settled with the Town but the agreement has not been ratified. There was a small change in the pension plan under this agreement which he will discuss at the September meeting after the ratification. Negotiations with the Police Union have been difficult and no settlement has been reached. These negotiations will probably move to arbitration.

A **motion** was made by Mr. Tracey and seconded by Mr. Fortuna to adjourn. The meeting adjourned at 9:37 a.m.

Respectfully submitted,

Jennifer Donahue

***The next meeting will be Thursday, September 24, 2020 at 8:30 a.m. in the Town Hall, first-floor conference room.***