

Old Saybrook Pension and Benefits Board

Thursday, March 26, 2020

8:30 a.m.

First-floor Conference Room, Town Hall - Teleconference

Meeting Minutes - Amended

Attendees

Members Present:

Darrell Pataska (Chair)

Suzanne Taylor (Vice-chair)

Lynn Dallas

Carl Fortuna, First Selectman

David Sparrow

Rowena Moffett

Paul Tracey

Others Present:

Lee Ann Palladino, Finance Director and
Pension Plan Administrator

Janet Vinciguerra, Pension Board Liaison

Jennifer Donahue, Board Secretary

Becky Sielman, Milliman

Kerry Forrester, Milliman

Tom Forma, Morgan Stanley Investment Advisor

Kevin Nichols, Morgan Stanley Investment Advisor

Joe Matthews, Morgan Stanley Investment Advisor

Welcome and Public Comment

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

Approval of the Minutes

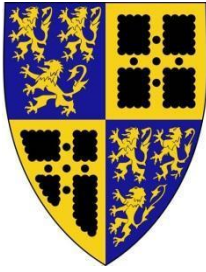
The minutes of the February 21, 2020 meeting of the board were reviewed. A **motion** was made by Mr. Fortuna and seconded by Dr. Taylor to approve the minutes with the amendment that under Old Business "TIA" be corrected to "TIAA". All were in favor and the motion was approved.

Chair's Report

Mr. Pataska noted that the Morgan Stanley report had inadvertently been left off the agenda as it was not a month for quarterly reporting. Mr. Fortuna made a **motion** to add the investment advisor report to the meeting agenda. Ms. Dallas seconded the motion. All were in favor and the motion was approved.

Pension Liaison Report

Ms. Vinciguerra provided the Pension Payroll Status Report for March and reported on the DB and DC statistics. There were no changes in the Town's pension payroll as of March 1. The FD now has 26



retirees. There are four pending FD retirements and one BOE retirement expected by the end of the fiscal year. One more employee has enrolled in the 401(a) plan.

Annual Actuarial Report

Becky Sielman of Milliman introduced Kerry Forrester who has recently joined Milliman and will be taking over the bulk of the day-to-day work for the Town.

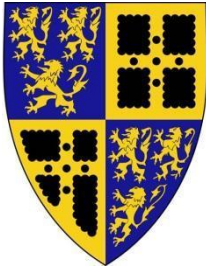
Ms. Sielman began with her report for the Town pension plan. She noted that at some point when the board's schedule allowed, she and Ms. Forrester would like to come to talk specifically about risk and maturity related to the pension plans as well as Milliman's new reporting. All agreed that this would be welcomed.

Ms. Sielman noted that for two years in a row there has been modestly quiet experience in the fund due to well-diversified investments. She also pointed out that actuarial value is spread over five years to mitigate any market volatility so that any losses can be handled gradually over a five-year period. She pointed out that this year's figures were arrived at using a new public plan mortality table, which is more realistic based on the group participating in the plan and takes into account the longer life span people have at this time, ultimately creating more plan liability. She also noted that the Town plan is well funded by any standard at 84.2% and certainly better funded than most municipal plans. She then reviewed a number of possible recommended choices for board members to select from in determining the direction and funding of the plan for the next year. All of those options showed a recommended Town contribution significantly in excess of the amount that has been budgeted for the coming fiscal year.

Mr. Fortuna pointed out that it is unlikely that the Board of Finance would approve such a significant change in funding to the pension plan. Board members discussed their fiduciary duty with Ms. Moffett noting that regardless of what the Board of Finance might approve, the board's recommendation needs to be in the best interests of the plan beneficiaries. All board members were in agreement with this. Ms. Sielman was asked to make a recommendation about which set of parameters would be most beneficial at this time. Discussion followed.

Mr. Tracey made a **motion** to adopt the updated mortality table, lower the interest rate to 7.125 with the goal of moving it to 7 next year and to change the term to 20 years. Dr. Taylor seconded the motion. Further discussion followed and Ms. Moffett made a **motion** to amend Mr. Tracey's motion by adding the recommendation to the Board of Finance that they consider a contribution by the Town that would meet the newly adopted plan goals. Dr. Taylor seconded the amendment, all were in favor, and the motion was approved.

Ms. Sielman presented the Fire Department pension plan actuarial report noting that the valuation for this plan is only done in odd-numbered years. She also recommended that the asset smoothing change that was adopted last year for the Town pension plan be adopted this year for the Fire Department plan.



She noted that, unlike the Town plan, this plan is cash positive because it is younger and less mature and the Town contributions exceed the amount being paid out. She then reviewed a number of possible recommended choices for board members to select from in determining the direction and funding of the plan for the next year.

Mr. Tracey made a **motion** to adopt the updated mortality table, lower the interest rate to 7.125 with the goal of moving it to 7 next year, to change the term to 20 years, to adopt the modified asset smoothing, to change the amortization growth rate to 3% and to recommend to the Board of Finance that they consider a contribution by the Town that would meet the newly adopted plan goals. Ms. Dallas seconded the motion. A vote was taken with six members voting in favor and Dr. Taylor voting against; the motion was approved.

Mr. Pataska thanked Ms. Sielman and Ms. Forrester and they exited the conference call at 10:00 a.m.

Plan Administrator's Report

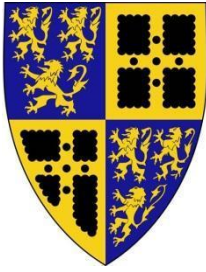
Ms. Palladino reported that she is working on the request for information for the DC plan by beginning to put together a list of potential businesses to invite to submit proposals to serve as possible new administrators for the program.

Investment Advisor Report

Mr. Nichols reported that both the Town plan and the Fire Department plan are down more than 12% with the Town plan at \$19.51 million and the Fire Department plan at \$1.2 million. He noted that fixed-income markets are having a tough time because they have less liquidity and wider spreads which make it tougher for them to transition business. Equity markets are also struggling. He noted that a number of the funds the Town is invested in, however, are still outperforming their benchmarks. He also pointed out that, even in a bad market, the Town's funds would have the ability to pay for at least eight years because of the quality of the assets it is invested in.

Mr. Nichols answered questions about international and emerging markets investments and was asked about his recommendations for any changes in strategy at this point. He recommended moving the target for small caps from 2% to 4% and taking that from the large caps. These changes would still be in the ranges approved by the IPS guidelines.

Ms. Palladino reminded board members that this would be Mr. Forma's last meeting due to his planned retirement at the end of the month. She thanked him for his service and wished him well in his retirement. Board members joined her in these sentiments with Dr. Taylor making a **motion** seconded by Mr. Pataska to recognize and thank Mr. Forma for his service. All were in favor and the motion was approved. Mr. Forma thanked the board and noted how much he had enjoyed working with the members over the years.



Old Business

Dr. Taylor reported that SB#392 has been raised in the state legislature to establish a personal financial management pilot program to be taught as a half-credit course in tenth grade civics classes. She thanked Mr. Fortuna for obtaining the information from Representative Devin Carney.

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 10:19 a.m.

Respectfully submitted,

Jennifer Donahue

The next meeting will be Wednesday, April 15, 2020 at 8:30 a.m. in the Town Hall, first-floor conference room.