



Old Saybrook Pension and Benefits Board Special Meeting  
Thursday, November 17, 2022

**8:30 a.m.**

First-floor Conference Room, Town Hall – Hybrid Meeting

To access the audio from this meeting, please use the following link:

### **Meeting Minutes**

#### **Attendees**

##### **Members Present:**

Darrell Pataska  
Carl Fortuna, First Selectman  
Paul Tracey  
David Sparrow  
Susan Quish  
Suzanne Taylor, Director Emeritus  
Lorraine Cortese-Costa  
Rowena Moffett

##### **Others Present:**

Lee Ann Palladino, Finance Director & Pension Plan Administrator  
Janet Vinciguerra, Pension Board Liaison  
Kevin Nichols, Morgan Stanley Investment Advisor  
Barbara Labriola, Town Treasurer  
Andrea Brundrett, Administrator

#### **Absent:**

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

The meeting was called to order at 8:30 a.m. by Mr. Pataska. No members of the public were present.

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

The minutes of the October 27<sup>th</sup>, 2022, meeting of the board was reviewed. A **motion** was made by Mr. Pataska and seconded by Ms. Quish to approve the minutes as submitted. Motion passed unanimously.

The draft of the meeting schedule for 2023 were reviewed. A motion was made by Mr. Pataska and seconded by Mr. Tracey to approve the draft. Motion passed unanimously.

Lynn Dallas, a former board member passed away from COVID complications. Ms. Taylor made a motion to acknowledge all of her work contributed to the pension and benefit board, seconded by Mr. Tracey

and unanimously approved. This motion was made during the meeting on October 27<sup>th</sup>, 2022 but were left out, so they are being included in this month's minutes.

### **Pension Liaison Report**

Ms. Vinciguerra presented the pension payroll reports and reviewed recent retirements and active employee participant information. Two new retirees were added to the Town/Police Department/Board of Education for a total of 95 retirees. We have one pending retirement, Margaret Smith with the Board of Education.

The defined benefit plan has 50 town employees, 22 BOE employees; the defined contribution plan has 41 town employees and 19 BOE employees. We are at 77% participation for our defined contribution plan.

### **Investment Advisor Report – Morgan Stanley**

Upon reviewing the pension portfolio, Mr. Nichols stated that the bond allocation is the highest it's been since 2018. Bonds are providing an interest rate of 4.5-5.5% over 2 years and are finally providing return to the portfolio. Mr. Nichols said their expectation is that inflation has peaked but the Federal Reserve is planning on raising interest rates another 100 basis points at least, before they pause. Morgan Stanley expects that the Federal Reserve may not cut rates until 2024.

In regards to the Town Pension Review, return was down 1.72% according to the report run through 10/31/2022. As of 11/16/2022 return is up 3.34% for the fiscal year. Mr. Nichols explained some of the changes that were made to the portfolio were selling Small Cap and Emerging Markets Stocks to stay in line with maximum allocations, but added to high yield bonds. Mr. Nichols added that bond allocation is at 35.4% because of the income bonds are now generating for the portfolio.

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

Ms. Palladino introduced the long-term asset liability study by stating this study is to determine the risk tolerance and what asset classes can be invested in, based on the level of risk the pension board is comfortable with. Ms. Palladino explained that because our portfolio pays more in benefits than we earn in dividends, the main goal is liquidity; which is why a large focus in the portfolio is on a short-term bond ladder. There is a 60/40 stock allocation in place, in order to earn money but maintain that liquidity and Emerging Markets are included because the board determined that they would like diversification in the portfolio. Finally, high yield bonds are included as a proxy to stocks, returns are similar with less risk. Ms. Palladino referenced a survey that may be helpful in this situation, to see how the board members feel about the portfolios risk versus reward. This study will determine if these strategies are still appropriate at this time.

Mr. Nichols continued for liabilities, it's about a \$950,000 net outflow from the portfolio per year. As of today, the portfolio is earning about \$660,000 in dividends and interest, which is expected to increase based on bond maturity. Based on the hypothetical performance generated for our current scenario, the return expectations minus the liability payments, results in the same portfolio value year over year. With

the liabilities decreasing over time, since there aren't a lot of new participants to the plan, this is appropriate for our portfolio. Mr. Nichols explained that what we want to do is pay the liabilities, decrease the risk as much as possible and that will determine what the participants contribution would need to be on an annual basis.

Mr. Tracey added that with having so many new board members, he would like to review with the board whether the portfolio should remain the same or if changes should be made. Mr. Fortuna added that the survey Ms. Palladino mentioned, could be expanded and very useful in this situation. Mr. Fortuna also stated that he doesn't believe any drastic changes should be made at this time which Mr. Tracey agreed with.

Ms. Palladino and Mr. Nichols will be reviewing the survey to see what needs to be altered and sent to the board members in December for review during January's meeting.

### **Old Business**

No old business

### **New Business**

Mr. Tracey made a **motion** to adjourn seconded by Ms. Quish. All were in favor and the meeting adjourned at 9:44 a.m.

Respectfully submitted,

Andrea Brundrett, Recording Secretary

***The next meeting will be Thursday, January 26<sup>th</sup>, 2022, at 8:30 a.m. by hybrid meeting format in the Town Hall, first-floor conference room.***