



Old Saybrook Pension and Benefits Board
Thursday, March 23, 2017
6:30 p.m.
First Floor Conference Room

Regular Meeting Minutes

Attendees

Members: Lynn Dallas, Ray Muratori, Carol Voigt, Rowena Moffett, Paul Tracey (via phone), Carl Fortuna, Suzanne Taylor (Chairperson). Others: Janet Vinciguerra (Accounting Liaison) and Timothy Kellogg (Secretary). Consultants: Lee Ann Palladino (Finance Director), Tom Forma and Kevin Nichols (Morgan Stanley), Matt Navins (Eaton Vance). Members of the public: Don Lucas

The board held a meet and greet h for new board member Rowena Moffett.

Welcome and Public Comment

Chairperson Taylor welcomed the board and provided opportunity for public comment. The meeting was called to order at 6:32 PM.

Chairperson Taylor welcomed Don Lucas, Town Building Inspector for public comment. Mr. Lucas is looking to retire at the end of the year and came to learn more information about the pension process.

Minutes

Approval of the Minutes of the February 23, 2017 meeting. A **motion** was made by Carl Fortuna and seconded by Lynn Dallas to approve the minutes as presented. All in favor. Minutes approved.

Chair's Report

Chairperson Taylor provided an update on prior board member Eileen Torenti. Carol Voigt visited Eileen and presented the board's gift for her prior service.

Chairperson Taylor reported on the CPPF conference, to be held on May 3, 2017, at the Rocky Hill CPA Training Center. Conference topics were highlighted: pension funding reform, a town budgets presentation, post-election benefit changes. Lee Ann Palladino agreed to collect and process reservations from board members.

Chairperson Taylor highlighted other developments, including a DB vs. DC plan report, an ACA report, and she suggested further research be done on Old Saybrook's health benefits for future discussion.

Finance Director's Report

Lee Ann Palladino reported on the recent actuarial valuation with a PowerPoint presentation. She reported on changes in the current fiscal year and comparisons for the prior fiscal year. She highlighted changes in the following areas. The ADC decreased by more than \$100,000.00. Covered payroll increased by 25% and Lee Ann is researching the cause for this increase.

Lee Ann noted that Actuary Becky Sielman made significant assumption changes including the following areas, salary, turnover, and rate of retirement. Lee Ann also noted, as a part of the twenty-year plan, the ADC will eventually increase. Actuarial changes, however, decreased unfunded liability substantially and the funded ratio is up to 84%, which is considered healthy.

Lee Ann Palladino continued her report highlighting chart details for the ADC, employee contribution, and return on

portfolio. Lee Ann's report included a review of last year's figures. Plan costs of 2.7 million dollars are now more than \$200,000.00 less. ADC contribution is 8.25% of payroll.

Discussion of Lee Ann Palladino's report took place. Referencing page 7 of the report, Chairperson Taylor commented on changing plan design. Carl Fortuna noted the pension reform is about a long-term solution. Further discussion took place, addressing covered payroll (page 4 of the investment summary report).

2016 Actuarial Report Bill

Lee Ann Palladino addressed the bill for the 2016 Actuarial Report and provided further review. She addressed the costs of the valuation and noted that savings could result if the fire department funds were separated from the town employees funds and became two investment portfolios. Lee Ann recommended that the board consider separating Town and Fire Department funds.

A **motion** was made by Carl Fortuna and seconded by Lynn Dallas, to separate the Firefighter and Town pensions at Morgan Stanley as of July 1, 2017. Discussion followed. The motion carried unanimously. .

Lee Ann Palladino provided an overview of pension expenses versus that budgeted year to date. \$62,770.00 spent YTD. Coming in under budget at this time.

Report of Pension Activity for the month of February 2017

Lee Ann Palladino reported that a plan has been established to review plan managers on a regular basis and how they impact the plan as part of strategic planning. Tom Forma reported on cash flow deficit. Tom highlighted assumed rate of return, assumed town contribution, assumed portfolio yield, and the cash flow report. From the Cash Flow Report, options for what can be changed, adjusted, or reallocated from current cash flow strategy include: selling 1.5% of the portfolio, using portfolio cash, use of a bond ladder, CDs or T-Bills, and switching to higher income equity managers. Rowena Moffett asked about how deficits have traditionally been funded. Discussion continued. Lee Ann talked about a holistic picture of cash flow, deficit, and usage.

Report on the Pension Plan Assets by Morgan Stanley

Matt Navins from Eaton Vance provided a report on his firm's management. Matt reported on the Eaton Vance large cap value investment philosophy. He reviewed strategy of evaluating mismatched funds, addressing conservative growth, later stages of a bull market, and provided portfolio statistics. Returns are up 2.5% and the benchmark is also 2.5%.

Matt Navins noted that last year was inhospitable to the Eaton Vance investment strategy. Eaton Vance goes for lower yield and better growth. Matt noted small cap impacts and highlighted deeper value stocks and election impact. Tom Forma also noted post-election impacts. Paul Tracey commented on performance and long term effectiveness. Kevin Nichols noted the timing of historical record keeping, as it related to Paul's performance concerns.

Paul Tracey noted that the last five years were still 2.5% behind. Matt highlighted gross returns. Matt continued to highlight past performance and environment for active managers. Discussion continued. Tom Forma commented on the Eaton Vance conservative investment practices and market performance. Further discussion took place regarding Eaton Vance's index against the Russell and net vs. gross (net equals gross minus 75 basis points).

Discussion on managers continued Tom Forma highlighted the importance of town impact from market fluctuation and investment management strategy. Chairperson Taylor suggested that the board focus further on the discussion of managers, market volatility, and asset allocation when Paul can be here in person.

Kevin Nichols reported on Morgan Stanley investment performance and Eaton Vance manager history.

Action Items:

Consideration of a cost of living adjustment for former retirees took place briefly. It was noted that the Cost of living

since the last increase was granted has increased by 20%. Due to the need for more data further discussion was postponed until next month.

Re an imbalance of our Health Care Funds Tom Forma reported on the retiree healthcare trust having gone above the statute's limit and recommended that the board rebalance equity below 50% now and possibly again next June. .

A **motion** was made by Carl Fortuna and seconded by Paul Tracey to accept the Morgan Stanley recommendation to rebalance equity. Further discussion took place. OPEB benefits and history highlighted and discussed. All in favor. Motion approved.

Old Business

Consideration of creation of a defined contribution plan will take place at the special meeting on April 6, 2017 at 2 PM.

Status of disability eligibility for firefighter Eric Messner was discussed. Carl Fortuna noted another letter went out to the doctor and he is awaiting response. Meanwhile his early retirement application is in process.

New Business

Discussion of a potential disability benefit for a police officer was briefly addressed and awaits a formal request before it can be discussed further.

A **motion** was made by Lynn Dallas and seconded by Carl Fortuna to accept Janet Vinciguerra's status report. All in favor motion approved as Janet highlighted the report. The passing of Carol Suits was shared with the board.

Upcoming Meetings

A Special Meeting will be held on Thursday, April 6, 2017 at 2 PM for further consideration of pension reform. The next Regular Meeting will be held on Thursday, April 27, 2017, at 6:30 PM. Both will be in the Conference Room of the Town Hall.

A **motion** to adjourn was made by Carl Fortuna and seconded Ray Muratori. Meeting adjourned at 8:34 PM.

Respectfully Submitted,



Timothy Kellogg,
Secretary