

Old Saybrook Pension and Benefits Board
Thursday, November 29, 2018
6:30 p.m.
First Floor Conference Room, Town Hall

Regular Meeting Minutes

Attendees

Members Present:

Suzanne Taylor (Chair)

Lynn Dallas

Carl Fortuna, First Selectman

Paul Tracey

Darrell Pataska

Ray Muratori

Others Present:

Lee Ann Palladino, Finance Director
and Pension Plan Administrator

Janet Vinciguerra, Pension Board Liaison

Tom Forma and Kevin Nichols, Morgan Stanley

Timothy Kellogg, Board Secretary

Welcome and Public Comment

Chairperson Taylor called the meeting order at 6:30 p.m. No public was present for comment.

Approval of the Minutes

The October 25, 2018 regular meeting minutes were reviewed. A **motion** was made by Carl Fortuna and seconded by Paul Tracey to approve the minutes as presented. All in favor. Minutes approved as presented.

Chair's Report

Chairperson Taylor provided comments on the following items. Chairperson Taylor addressed concern regarding teacher retirement issues. Discussion of the issue and its history took place. Chairperson Taylor discussed Police and Fire plan details. Chairperson Taylor noted receipt of the Actuarial Report for GASB 67/68. She would like copies of the report for the board. Ms. Palladino will request electronic and hard copies of the report.

Chairperson Taylor requested that the official Actuarial contract be filed with the minutes. Ms. Palladino will send to Mr. Kellogg for an addendum to the minutes (see attached addendum). Chairperson Taylor commented on preparations for the charter revision.

Pension Liaison Report – Janet Vinciguerra

Ms. Vinciguerra provided her report. See attached addendum. Mr. Fortuna highlighted a recent retirement.

Finance Consultant's Report

Investment reports were provided by Tom Forma and Kevin Nichols of Morgan Stanley. Mr. Nichols reported on the investment summary and the time weighted performance summary and noted a rotation in strategy to values.

Mr. Forma and Mr. Nichols requested that the board consider increasing the asset allocation of emerging markets to 10% (currently at 7%). He provided explanation. The increased percentage would come out of US growth allocations. Mr. Forma noted that now would be good timing for this action. Discussion took place. A **motion** was made by Lynn Dallas and seconded by Paul Tracey to transfer money to Lazard EM Core Equity, to emerging markets. Funds will come 1/2 from the S&P 500 Index Fund, 1/4 from Aristotle Value Equity, and 1/4 from John Hancock Large Cap Core. There was discussion of the motion. All in favor. Motion approved. Related discussion of the Brexit crash took place.

Mr. Forma reviewed the Fire Department pension plan options and whether or not to be more aggressive than the town plan or the same. He highlighted allocations for fire plan and potential options. He provided explanation. Mr. Forma noted that due to minimum account sizes, the Fire Department plan is unable to have three managers that are the same as in the Town Pension. He also reviewed high yields and small cap for the Fire plan. Mr. Forma commented on the recent asset allocation study. Discussion took place. He highlighted the spectrum of options and reviewed the difference in risk. Mr. Forma and Mr. Nichols requested approval of the proposed substitution. Discussion took place. A **motion** was made by Lynn Dallas and seconded by Carl Fortuna that the board accept the recommended substitution as follows: For the intermediate maturity bond portfolio, instead of Boyd Watterson we will use Sage Advisory Intermediate Taxable Bond Service. For High Yield Bonds, instead of Voya we will use the Wells Fargo High Yield Bond Fund. For small cap stocks, instead of Segall, Bryant and Hamilton, we will use the ClearBridge Small Cap Fund. All in favor. Motion approved.

Plan Administrator's Report

The Defined Benefit Plan Summary Document update has been moved to the January meeting.

Investment Policy Statement (IPS) discussion. Ms. Palladino reported on GASB 67/68 which is an actuarial report used in the Town's audited annual financial statements to report on the net liability of both pension plans and OPEB. Ms. Palladino reviewed the net liability report and commented on improvements in both the asset and liabilities profiles (provided to the board). She noted actuarial gains in assets and liabilities which reduced the overall long term liability by approximately \$4 million. Ms. Palladino reported that the net liability was reduced and highlighted the decisions made by the PBB that helped to reduce the net liability. Around January the actuaries will present the annual valuation reports for the Town and Fire pensions which will include the Actuarial Determined Contribution.

Ms. Palladino reviewed the 60/40 allocation strategy that had been recently approved by the PBB and said that the next step was to review the IPS and modify it as needed to reflect the new investment strategy going forward.

Ms. Palladino reviewed the IPS with the Pension Board. She indicated that the last IPS update was in October 2014. Discussion of fiduciary responsibility took place. Confirmation is required. Discussion of the role of the investment advisor took place. Further discussion took place. Morgan Stanley will be referred to as the investment advisor in the IPS. Discussion of custodians took place. The board will review outside custodian options and Ms. Palladino will research it further. Ms. Palladino will add Liberty Bank as custodian to the IPS. Ms. Palladino will make revisions to the IPS to clarify that the Board of Selectman ("BoS") is the fiduciary and the PBB recommends the IPS to the BoS for approval, the IPS will reflect the PBB's desire to give the investment advisor full discretion over portfolio management, and finally to review custodian options and ensure it is properly reflected in the IPS. Further discussion on other sections of the IPS will take place in January.

Old Business

It was noted that the status of a pending life insurance dispute has been settled.

It was noted that the status of two retirement calculations previously reviewed for accuracy were discussed and it was unanimously agreed that no further action was needed. The pensions will remain as awarded with no further change.

Chairperson Taylor suggested the Board continue to do further research regarding Disability and other benefits for those in the DC plan. Since most consultants expect compensation for preliminary discussion. More

information as to these costs will be obtained.

New Business

The 2019 Meeting Schedule was reviewed. A **motion** was made by Carl Fortuna and seconded by Lynn Dallas to approve the proposed meeting dates. All in Favor. Meeting schedule approved (see attached).

The Chair appointment will be on the agenda in January. There was discussion of having a Vice Chair.

Adjournment

A **motion** was made to adjourn by Carl Fortuna and seconded by Paul Tracey. All in favor. Meeting adjourned at 8:19 p.m.

Next Meeting: Thursday, January 24, 2019, 6:30 p.m.

Respectfully Submitted,

Timothy Kellogg,
Pension and Benefits Board Secretary

Enc.
Actuarial Contract,
Pension Payroll Status Report,
2019 Meeting Schedule

Consulting Services Agreement Town of Old Saybrook

This Agreement is entered into between Milliman, Inc. (Milliman), the Town of Old Saybrook (the Plan Sponsor), the Town of Old Saybrook Retirement Plan, the Town of Old Saybrook Fire Company No. 1 Retirement Plan, and the Town of Old Saybrook Other Post-Employment Benefits Program (collectively the Plans) effective as of August 16, 2018. The Plan Sponsor and the Plans have engaged Milliman to perform consulting services as described in Milliman's proposal dated May 31, 2018 and emails dated July 25, 2018, which are incorporated herein by reference. Such services may be modified from time to time and may also include general actuarial consulting services. In consideration for Milliman agreeing to perform these services, the Plan Sponsor and the Plans agree as follows:

Engagement Terms. The Plan Sponsor and the Plans acknowledge the obligation to pay Milliman for services rendered, whether arising from the Plan Sponsor's and/or the Plans' request or otherwise necessary as a result of this engagement. Milliman will bill the Plan Sponsor and the Plans periodically for services rendered and expenses incurred. All invoices are payable upon receipt. Milliman reserves the right to stop all work if any bill goes unpaid for 60 days. Furthermore, Milliman's engagement may be terminated upon 90 days' written notice by Milliman or the Plan Sponsor and the Plans. Regardless of the reason for termination of services, Milliman shall be entitled to payment for services completed prior to such termination, and Milliman shall retain any records it has relating to the Plan Sponsor and the Plans for a period of at least three years from date of termination. If Milliman's assistance is reasonably required past termination, such services shall be provided at Milliman's then-standard hourly rates unless another basis is agreed to by both parties.

Handling of Data and Other Confidential Information. Milliman shall use reasonable efforts to identify errors in data and obtain corrections to erroneous data, but Milliman cannot warrant the correctness of data supplied by the Plan Sponsor or the Plans or other parties, nor can Milliman be responsible for data not provided in a timely manner. Any information received from the Plan Sponsor or the Plans will be considered "Confidential Information". However, information received from the Plan Sponsor or the Plans will not be considered Confidential Information if (a) the information is or comes to be generally available to the public during the course of Milliman's work, (b) the information was independently developed by Milliman without resort to information from the Plan Sponsor or the Plans, or (c) Milliman appropriately receives the information from another source who is not under an obligation of confidentiality to the Plan Sponsor or the Plans. Milliman agrees that Confidential Information shall not be disclosed to any third party.

No Third Party Distribution. Milliman's work is prepared solely for the internal business use of the Plan Sponsor and the Plans. To the extent that Milliman's work is not subject to disclosure under applicable public records laws, Milliman's work may not be provided to third parties without Milliman's prior written consent. Milliman does not intend to benefit or create a legal duty to any third party recipient of its work product, and Milliman may include a legend on its reports so stating. Milliman's consent to release its work product to any third party may be conditioned on the third party signing a Release, subject to the following exceptions: (a) the Plan Sponsor or the Plans may provide a copy of Milliman's work, in its entirety, to the Plan Sponsor or the Plans' professional service advisors who are subject to a duty of confidentiality and who agree to not use Milliman's work for any purpose other than to benefit the Plan Sponsor and the Plans; and (b) the Plan Sponsor or the Plans may provide a copy of Milliman's work, in its entirety, to other governmental entities, as required by law. No third party recipient

of Milliman's work product should rely upon Milliman's work product. Such recipients should engage qualified professionals for advice appropriate to their own specific needs.

Limitation of Liability. Milliman will perform all services in accordance with applicable professional standards. The parties agree that Milliman shall not be liable to the Plan Sponsor or the Plans, whether in tort, contract or otherwise, for any damages in excess of \$5,000,000. In no event shall Milliman be liable for lost profits of the Plan Sponsor or the Plans or any other type of incidental or consequential damages. The foregoing limitations shall not apply in the event of the intentional fraud, gross negligence, or willful misconduct of Milliman.

Disputes. In the event of any dispute arising out of or relating to the engagement of Milliman by the Plan Sponsor and the Plans, the parties agree that the dispute will be resolved by final and binding arbitration under the Commercial Arbitration Rules of the American Arbitration Association. The arbitration shall take place before a panel of three arbitrators. Within 30 days of the commencement of the arbitration, each party shall designate in writing a single neutral and independent arbitrator. The two arbitrators designated by the parties shall then select a third arbitrator. The arbitrators shall have a background in either insurance, actuarial science or law. The arbitrators shall have the authority to permit limited discovery, including depositions, prior to the arbitration hearing, and such discovery shall be conducted consistent with the Federal Rules of Civil Procedure. The arbitrators shall have no power or authority to award punitive or exemplary damages. The arbitrators may, in their discretion, award the cost of the arbitration, including reasonable attorney fees, to the prevailing party. Any award made may be confirmed in any court having jurisdiction. Any arbitration shall be confidential, and except as required by law, neither party may disclose the content or results of any arbitration hereunder without the prior written consent of the other parties, except that disclosure is permitted to a party's auditors and legal advisors.

Notwithstanding anything in this Agreement to the contrary, Milliman makes no express or implied warranty and shall have no liability of any form whatsoever with respect to any draft or unfinished deliverable provided to the Plan Sponsor or the Plans following a termination. The Plan Sponsor and the Plans shall indemnify and hold harmless Milliman from all loss, claims, damages, liability and expense arising out of the Plan Sponsor's or the Plans' use of any draft or partially completed deliverable and no attribution shall be made to Milliman in connection with any such use.

Conflict of Interest. Milliman represents and warrants that it has no commitments or obligations to perform Services for others during the period of this Agreement which would impact Milliman's ability to satisfy its obligations to the Plan Sponsor and the Plans under this Agreement. Milliman will promptly inform the Plan Sponsor and the Plans of situations which, in Milliman's judgment, may create or result in a conflict with the interests of the Plan Sponsor or the Plans.

Choice of Law. The construction, interpretation, and enforcement of this Agreement shall be governed by the substantive contract law of the State of Connecticut without regard to its conflict of laws provisions. In the event any provision of this agreement is unenforceable as a matter of law, the remaining provisions shall stay in full force and effect.

Notwithstanding anything to the contrary herein, the Plan Sponsor and the Plans acknowledge that they have their own legal counsel qualified in employee benefit law. The Plan Sponsor and the Plans recognize that Milliman is not a law firm, is not authorized to practice law, and does not provide legal advice to clients. The Plan Sponsor and the Plans represent that they will not

rely on Milliman with respect to any matter of interpretation of law, regulation or legal compliance. Any information provided to the Plan Sponsor or the Plans by Milliman with respect to provisions of law or regulation is for informational use only and should not be relied upon without consultation with competent legal counsel.

Acceptance. I hereby accept the terms of this engagement as described above.

For the Town of Old Saybrook

Carl P. Fortuna Jr.
Name (print)

First Selectman
Title

[Signature]
Signature

8/17/18
Date

For The Town of Old Saybrook Retirement Plan

Name (print)

Signature

Title

Date

For The Town of Old Saybrook Fire Company No. 1 Retirement Plan

Name (print)

Signature

Title

Date

For The Town of Old Saybrook Other Post-Employment Benefits Program

Name (print)

Signature

Title

Date

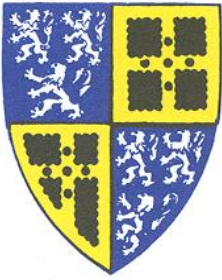
For Milliman, Inc.

Rebecca A. Sielman
Name (print)

Principal & Consulting Actuary
Title

[Signature]
Signature

8/24/2018
Date



TOWN OF OLD SAYBROOK
Accounting Department

302 Main Street • Old Saybrook, Connecticut 06475-1741
Telephone (860) 395-3132 • FAX (860) 395-1216
janet.vinciguerra@oldsaybrookct.gov

Retirements and Pension Payroll Status Report
November 29, 2018 PBB Meeting

- I. December 1st Pension Payroll:
 - Town/PD/BOE – 86 retirees; gross payroll \$132,542.95; same number of retirees but also includes semi-annual health insurance waiver payments for three retirees.
 - FD – 25 retirees; gross payroll \$8,895.82; no changes.
- II. Pension Contribution Refunds:
 - William O'Connor was issued a refund of his pension contributions in the amount of \$7,103.79 including interest. He resigned from the PD in mid-October where he was a patrolman for almost three years.
 - Josh Stankiewicz has requested a refund of his contributions totaling \$8,262.67 including interest. The refund will be issued next week. Josh also resigned in mid-October after five years of service as a dispatcher.

Respectfully submitted,

Janet Vinciguerra
Employee Benefits Coordinator & Pension Liaison

**Old Saybrook Pension and Benefits Board
Meeting Schedule
2019
6:30 p.m., 1st Floor Conference Room, Town Hall**

January 24, 2019

February 28, 2019

March 28, 2019

April 25, 2019

May 23, 2019

June 27, 2019

September 26, 2019

October 24, 2019

November 21, 2019 (3rd Thursday and 2nd floor conference room)