

**Pension Board  
Minutes  
November 20, 2012**

**CALL TO ORDER**

Chairman Michael Charland called the Pension Board meeting to order at 7:07 p.m. at the Town Hall, Trumbull, Connecticut.

Members present and absent were as follows:

**PRESENT**

Chairman Michael Charland  
James Lavin  
John Ponzio  
Donna Pellitteri  
Maria Pires  
Michael Knight

**ABSENT**

William Schietinger

Also present: Daniel Nelson, Chief of Staff; Jim DeGrandis, BPS&M; Brian Hartman, BPS&M; Gina Acri, Wells Fargo; Madelyn Meagher.

**PUBLIC COMMENT**

There was no public comment.

**BPS&M PRESENTATION – REVIEW VALUATION AND ASSESSMENT OPTIONS**

Mr. DeGrandis gave a summary of the items to be covered in the Agenda:

- Current Valuation is the normal valuation, i.e., what has happened over the last 2 years.
- Financial scorecard focuses on the funded status of the plan: What it means, how we monitor it, and why it is important.
- Predicting what will happen in the future, so you can see where you might be in 5 years so there are no surprises.

Mr. Hartman continued, as follows:

- The participants drive the results. There are several categories of participants.
- The number of active participants has decreased and this trend should continue. Deferred vested and those receiving benefits has remained constant. Deferred vested includes those who are vested but are no longer employed with the town.
- The actual funded ratio of participants is currently 28%.
- Along with the average age of the participant and average length of service the average compensation is another driver at 4%.

Mr. DeGrandis noted that BPS&M applied the same assumptions as H&H to the most recent data.

Mr. Hartman indicated that there are two values of assets shown:

- The market value is what you actually have at a specific point in time. As of July 1, 2012 the market value represented a 13.5% return for July 1, 2011 and 0% for July 1, 2012.
- The assets were less than the actuarial assumption of 7.5% per year. The actuarial value averages gains and losses over a 3 year period and at this point in time is 28% up from the last valuation.

- In terms of funding, you should focus on the market value, which is what the plan is actually worth.
- The assets have underperformed compared to the assumptions.
- Although the population drops, the older people die and they are the ones receiving the lower payments. If younger people were added the liability would increase.

Mr. DeGrandis indicated that the Actuarial Funded Status (\$48.8M) represents the benefits that have been promised to date to all employees of the Town covered by this plan, valued as of July 1, 2012. This includes the service to date with salaries promised in the future.

Mr. Hartman indicated that Annual Recommended Contribution (\$4.576M) consists of three parts:

- Normal Cost of benefits that accrues during the year (first part).
- Normal Cost is offset by what the participants are expected to contribute (second part).
- Normal Cost less Contributions equals the Net Normal Cost. This is the Net Cost of benefits accruing over the year.
- Amortization over 25 years of the unfunded liability. The Town's funding policy is to fund 90% of the accrued liability. The 90% figure is then amortized over 25 years.

Mr. DeGrandis indicated that the preferred funding is 80%. The actual contribution for 2012 was \$2.3M and for 2013 \$3M.

The Chair indicated that based on what we heard tonight, we are still underfunded and the demographics are not getting any better. Mr. DeGrandis indicated that we need to watch what we contribute instead of a "pay as you go" type of funding.

The Chair indicated that we have been tracking the funds over the last three years by quarter, increasing the pension contribution; however, this next quarter will be the first time that we will be contributing more than we are paying out. The historical vs. current information shows the Town is making progress. He also indicated to Mr. DeGrandis that "what-if scenarios" would be helpful when answering questions for the Town Council, etc.

Mr. DeGrandis indicated that the Funded Status Scorecard appears on page 3, shows that the percentage has increased from 25.3% to 29.3%. If we do nothing, the funded status will go down and we need to keep this in mind when planning for the future.

Mr. DeGrandis indicated that the Projection Summary Chart on page 6 shows us what the impact of future contributions will be over the next 5 years indicating the estimated Funded Ratio would increase only slightly. On page 7, the Funded Ratio increased significantly based upon the increased Recommended Contributions. These projections are static; we are using a closed group of participants.

On page 8, he directed us to look at the valuations calculated using a simulator, which gives us the best and worst scenarios. The difference between the best and worst case scenarios is very small due to the fund being poorly funded. From a budgeting standpoint, we can count on \$19M per year. We can make up the difference through contributions as long as we stay at 60-40.

On page 9, GASB 67/8 will replace GASB 25/27, affording more transparency, consistency and comparability of pension information across government. Pages 9 and 10 referred to the Funded Status Projections – Detailed Results and Assumptions.

Mr. Ponzio left the meeting at 8:30 pm.

**APPROVAL OF MINUTES – August 12, 2012**

The Chair indicated that the reference to H&H on page 2 should be changed to BPS&M.

Mr. Lavin moved, seconded by Ms. Pellitteri, to approve the minutes of the August 12, 2012 meeting, as amended.

Vote: 4-0-1 motion carries (abstention: Ms. Pires)

**APPROVAL OF PENSION BENEFITS AND CONTRIBUTION PAYOUTS**

The following individuals were presented for approval of payments:

Approval of Pension Benefits

Pazik, Linda	08/1/2012	\$ 2,692.95
Villano, Jennie	11/1/2012	\$ 1,914.88

Approval of Contribution Payouts

Turndahl, Mark	9/7/2012	\$ 4,012.43
Ferguson, Sharon	11/7/2012	\$ 1,347.98

Mr. Lavin moved, seconded by Ms. Pires, to approve the Pension Benefits and Contribution Payouts, as requested.

Vote: 5-0-0 motion carries

**INVESTMENT UPDATE – 3RD QUARTER**

The Chair indicated that he would like to have Chris Kachmar from FIA discuss the asset allocation at the next meeting. He went on to add that Chris included a brief update for this quarter, along with the financials.

**BERWYN REPORT – 4TH QUARTER 2012**

Wells Fargo sent a letter this month indicating that the Berwyn Report did not contain any exceptions this month.

**SCHEDULE OF MEETINGS FOR 2013**

Ms. Pellitteri moved, seconded by Ms. Pires, to approve the 2013 Schedule of Pension Board meetings, as presented.

Vote: 4-0-0 motion carries

The Chair requested a schedule listing the Board Commissioners along with the expiration date of their respective term.

**ANNUAL PENSION REPORT**

Mr. Lavin suggested that we include how we plan to implement the suggestions presented in the long term improvement plan: reduce the 5% interest rate currently being paid on contributions; increase employee contributions to 6%; full time employees must work a minimum of 1820 hours to be eligible to participate in the 401 A pension plan. Mr. Nelson indicated that the increase in contributions would need to be discussed with each bargaining units.

The Chair indicated that the Board does not set the interest rate and cannot change it. He went on to add that the Board has the exclusive right to interpret the plan, but not change the plan.

Mr. Lavin suggested that we look into the process needed in order to reduce the 5% interest rate. The Chair indicated that all suggestions for changes must be presented to the Town Council.

Mr. Nelson indicated that the Town Council would need to discuss any proposed changes with each bargaining unit at the time of contract, or negotiate it all at once, which is very difficult. He indicated that the new benchmark for contributions is currently between 3.5% and 6.0%.

Ms. Pires indicated that the overpayments were still being negotiated with the appropriate individuals. The Chair indicated that we need to include an update of the collection efforts and repayments made to date.

The Chair suggested that we update the Pension Letter with the final actuarial evaluation information and present it at the February 19, 2013 meeting.

**OTHER BUSINESS**

There was no other business.

**ADJOURNMENT**

There being no further business to discuss, the Pension Board adjourned by unanimous consent at 9:25 pm

Respectfully submitted,

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Phyllis Collier - Pension Board Clerk