

**PENSION  
BOARD**



**Town Hall**  
5866 Main Street  
Trumbull, Connecticut 06611

Date: January 30, 2019  
To: Vicki A. Tesoro, First Selectman  
Subject: Pension Board Update

Below is a brief update on the performance, activities and initiatives for calendar year ending 2018.

**Executive Summary:**

(All numbers calendar year based)

- Beirne Wealth Consulting, LLC, (Beirne) provided investment advice to the Pension Board during 2017 and 2018.
- The biennial Actuarial Valuation as of July 1, 2018 was completed.
- Net cash flows for calendar year 2018 were positive as they were in 2014 through 2018.
- The fund returned a loss of 6.62% for 2018. This compares with the U.S. public pensions reported median returns of a loss of 5.32% as reported by Investor Force Public DB.
- The funded ratio is 41.1% for 2018, and continues to improve every year since 2014 when it was 35%.
- We continue to receive monthly "flash reports" on how investments are performing and follow an annual governance calendar to guide quarterly meeting agendas.
- An Investment Policy Statement is in effect and is reviewed annually.

## Pension Investments:

Investment returns for 2018 were a loss of 6.62% which was lower than the assumed return rate of 7.5%; the annualized 3 and 5 year results for this same period were 5.05% and 3.81% respectively.

Calendar Year	2018	2017	2016	2015	2014
Investment Performance	(6.62%)	15.6%	7.4%	(0.5%)	4.5%
Plans Assets (millions)	\$33.5	\$35.3	\$30.3	\$27.9	\$27.5
Town Contributions	\$ 5.1	\$ 4.6	\$ 4.2	\$ 4.2	\$ 4.8
a. Current	\$ 1.0	\$ 1.0	\$ 1.0	\$ 1.0	\$ 0.9
b. Make-up	\$ 4.1	\$ 3.6	\$ 3.2	\$ 3.2	\$ 3.9
Employee Contributions	\$1.0	\$1.0	\$ 1.0	\$ 1.0	\$ 0.9
Less: Payments	\$5.5	\$5.2	\$ 5.0	\$ 4.6	\$ 4.3
Net Cash Flow (thousands)	\$541	\$341	\$250	\$ 616	\$1,379

The performances of the investment managers were reviewed quarterly by the Pension Board along with its investment consultant. We continue to review investments with our advisor and make changes to enhance investment returns with an acceptable level of risk.

## Actuarial Report:

The plan actuary, Bryan, Pendleton, Swats, & McAllister, LLC (BPS&M), was acquired by Findley who performed the biennial valuation in July 2018. See the chart below for previous valuation results:

	July 1, 2018	July 1, 2016	July 1, 2014	July 1, 2012
Participants				
Active	365	406	376	436
Deferred Vested	72	79	68	74
Receiving Benefits	<u>372</u>	<u>355</u>	<u>340</u>	<u>325</u>
Total	809	840	784	835
Total Liabilities	\$85,295,652	\$80,087,551	\$71,162,375	\$67,905,000
Actuarial Value of Assets	\$35,032,614	\$30,705,246	\$24,997,527	\$19,096,003
Funded Status (unfunded)	(\$35,032,614)	(\$49,382,305)	(\$46,164,848)	(\$48,808,997)
Funded Ratio	41.1%	38.3%	35.1%	28.1%

No technical plan changes were made.

**Operations:**

The Pension Board continued its quarterly schedule of meetings.

The following governance schedule indicates the items reviewed at quarterly meetings, as required:

- Portfolio Investment Review and Market Environment Overview
- Administrative Fee and Portfolio Expense Analysis
- Investment Policy Review
- Legislative Update (as needed)
- Actuarial Review (biennial report)\*
- Market Environment

\*Timing of actuarial and liability review dependent on client's individual plan and/or fiscal year and actuarial input.

The Investment Policy Statement received its annual review with alternative investments added to the policy.

Along with its actuary and investment consultant, a review of the Assumed Rate of Return of 7.5% was discussed in November 2018. The nationwide trend is to reduce this rate; the State of Connecticut now uses 6.9%. Reduction of this rate of return increases the dollar amount required to fund the Annual Rate of Contribution. After discussion, the Pension Board decided to maintain the 7.5% for another year.

There were no changes to the Pension Board membership during 2018.

The Pension Board understands the need for the administration to weigh all town financial concerns and it appreciates the ongoing support for the Retirement Plan. We welcome the opportunity to meet with you and accept ideas and recommendations for improvement.

Respectfully submitted,

The Pension Board

James Lavin  
Chairman

Anthony Musto

Maria Pires

Donna Pellitteri

James Daly  
Secretary

James Meisner

Patrick Clark