

~ Draft ~ MINUTES
Guilford Pension Committee
Regular Meeting # 280 – July 29, 2010
Guilford Town Hall, 31 Park Street
Selectmen's Conference Room, 8:00 AM

Note: *These are strictly Draft Minutes and are not final until approved at a subsequent Pension Committee meeting.*

Members Present: George Curry , Robert Hartmann (*chair*), Alex Sommers and Wayne Staschke. (4/5)

Excused: David O'Connor.

Town Official(s): Joseph Mazza (*First Selectman*), Sheila Villano (*Finance Director*), Present Mitch Goldblatt (*Human Resources Director*).

Others Present: Andy Potochney (*School Business Administrator*), Sharon Milroy (*Board of Education Insurance Dept.*), John Roach (*ret. Police Officer*), and Sue Gomez (*Recording Secretary*).

(8:04 AM – 8:44 AM) - [0:40]

Chairman Bob Hartmann called the meeting to order at 8:04 AM.

1. Public Forum.

John Roach expressed deep feelings of opposition to having the Board of Selectmen as Trustee to the Pension Plan. He gave a history: the Police Pension Fund has been under-funded for 20 years. Former First Selectman Ed Lynch improved it but problems still exist today. "It opens the door to potential conflicts of interest." He asked them to come up with a solution – but not the Board of Selectmen.

Mr. Hartmann commented that our pensions are less under-funded than the majority in Connecticut. The concerns of the participants are being taken into consideration by the Board.

2. Approve minutes of:

2.1 June 17, 2010 Regular Meeting

Upon a motion made by Mr. Staschke and seconded by Mr. Curry it was unanimously voted to approve the minutes of 6.17.10 as submitted. (4-0-0)

3. Finance Director's Report:

3.1 Monthly Investment Report from the Finance Director (June & Annual Report)

Ms. Villano stated that she did not have reports because of the transition to the new Wells-Fargo platform. She apologized stating that this is why the meeting was moved to the end of the month.

Mr. Mazza asked that a stern letter be written to the people responsible for the reports. That covers us and puts the administrator on notice that this is the last time the report will be late. Mr. Curry agreed.

Ms. Villano said because of the switch of Wachovia to Wells-Fargo she received a full report for 11 months. She said that this was one reason that they were changing custodian and trustee. Ms. Villano said that as soon as she has the report she will e-mail to the committee members and she will write a letter on behalf of the Committee.

Mr. Curry stated that June was not a good month but we want to know that. Mr. Sommers asked if there was any suspicion of financial problems with Wachovia Wells-Fargo. Ms. Villano said no problem. They always have had problem with the report coming out of North Carolina. "We are not being serviced."

Joe Bivona is our contact. It's in his best interest to get us the data we need. Once he has the assets he can report first hand. Joe [Bivona] is waiting for the data also. Someone suggested that Joe Bivona be cc'd on the letter. Ms. Villano said she would write on behalf of Bob Hartmann to Betty Festa at Wells-Fargo Bank. Mr. Mazza asked if Ms. Villano knew Betty Festa's supervisor and he asked to be copied on the letter.

Mr. Hartmann said let's get it on the record.

Ms. Villano said she will find out more; maybe our previous Customer representative person.

4. Correspondence:
None

5. Investment Advisor: Review of Annual Report

Joe Bivona did not come to the meeting as planned because the reports were not ready. He will be at the August meeting.

6. Old Business:
6.1 Status of Appointment of Trustee

Ms. Villano reported that 3 of the 5 selectmen couldn't accept the responsibility of trustee because of broker relationships. Town Counsel Mike Dorney is on vacation. "The current BOS" will be in the wording unless we find another choice. This is probably another couple of weeks away. This precludes any investment advisor from being on the BOS. The problem is with them being "named" trustee. This is a problem for a broker/dealer. Ms. Villano explained that Mike Dorney said it didn't have to be a full Board. It could be combination, a sub-committee, could be Alex Sommers, Bob Hartmann and 3 BOS. This means the document would have to change as the people changed. It could be – "appointed" on until changed; could be individuals from the town.

Mr. Mazza thought the idea of a hybrid board was a good suggestion and reappointed periodically by the BOS. He said they would wait and speak to Attorney Dorney. The fall back would be to do an RFP and try to select a financial institution although he didn't see an institution being trustee without being custodian.

Ms. Villano, Mr. Hartmann and Mr. Mazza will discuss with Attorney Dorney when he returns.

Mr. Hartmann said there is liability that the trustee could be sued. Ms. Villano said that this committee had liability insurance. Mr. Sommers added that we would have the same coverage as the trustee committee. A fiduciary bond, like Ms. Villano and the Tax Collector have may also be necessary.

Mr. Curry had a question on the phrasing "6" on the trustee agreement. He said he would send an annotated copy to Ms. Villano.

7. New Business:

Mitch Goldblatt said he was working with Milliman on the annual valuation. Sharon Milroy is putting her piece together.

We have three announced retirees on the town side this October. Valuations are being prepared. There is significant exposure on the lump sum side – over \$1M.

It is time to bring the COLA adjustment for the Pension Committee to look at.

Mr. Mazza said that this Monday (8/02/10) the BOS would vote on whether to grant military credits to three people. Mr. Goldblatt said the survey revealed there were 4 on the town side and 4 on the BOE side that could potentially apply for military service credits. Mr. Mazza said the BOS has discussed this in executive session and the vote is on the agenda for the next meeting. If there is full attendance, they will vote.

Mr. Sommers asked for the history. Mr. Goldblatt said the request of one individual started it because a police officer was granted credit and that individual felt they also were entitled. The BOS requested that we poll the members and see how many it would involve. We found 4 on the town side and 4 on the BOE. The position is: 1) is it the right thing and 2) can we afford it? If no on #1 – no problem. If yes, then, can we afford it? We've fixed the Police grievance and then we would change the policy going forward. Is there a break in service and the nexus with relevance to the work here. These are not as clear as the Police case. Do we create a new amendment for the Town and BOE? How will it read? New language for new employees?

The discussion on military credits was ended at this point not to breach the confidentiality of the executive session.

Concerning our possible exposure with the upcoming October retirements, Mr. Curry commented that \$1million lump sum would be 3% of our fund balance. The Town needs to take a stance – no more lump sums – this can't continue. Mr. Mazza said it was a valid point but would require union negotiation.

Since one of the members had a conflict with the upcoming meeting date of August 19th, upon a motion by Mr. Curry and seconded by Mr. Sommers it was unanimously voted to move the meeting to August 26th.

***The next Regular Meeting is scheduled for
Thursday, August 26th, 2010 – 8:00 A.M.
with Defined Benefits Plan Subcommittee
Meeting following the Regular Meeting.***

Adjourn Regular Meeting

There being no further business and upon a motion made by Mr. Sommers and seconded by Mr. Curry it was then unanimously voted to adjourn the meeting at approximately 8:44 AM – [0:40].

Respectfully submitted,

Susan Gomez
Aug. 4, 2010

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~ Draft ~ MINUTES

**Guilford Pension Committee – Defined Benefits Plan Sub-Committee
Regular Meeting # 1 – July 29, 2010**

Guilford Town Hall, 31 Park Street
Selectmen's Conference Room, following Pension Committee Meeting

Note: These are strictly Draft Minutes and are not final until approved at a subsequent Pension Committee meeting.

Members Present: George Curry (chair), Wayne Staschke, Andy Potochney, Sheila Villano and Mitch Goldblatt.
Excused: David O'Connor.
Town Official(s): Joseph Mazza (*First Selectman*)
Others Present: Robert Hartmann (*Pension Committee, chair*), John Roach (*ret. Police Officer*) and Sue Gomez (*Recording Secretary*).

(8:46 AM – 9:14 AM) - [0:28]

Chairman George Curry called the first meeting of the Defined Benefits Plan Sub-Committee to order at 8:46 AM.

1. Public Forum.
None.

(Executive Session may be required)

2. Reports by several Third Party Administrators

[This was the first meeting of this sub-committee. The chairman outlined what research and contacts he had made in preparation for this meeting. Information from TPAs may be ready by the next meeting. Executive session was not necessary for this meeting]

Mr. Curry explained that the Request for Proposal (RFP) is an overview of important points to discuss. It is not just cost driven. In participant directed investments, the Town takes on responsibility that the investment platform is a solid choice. This has to be negotiated. We need to and there is plenty of support in surrounding communities. We need to put together a cohesive argument that this is in the best interest of the Town. Mr. Staschke said especially in light of what happened in West Haven. The mayor felt it was the right thing to do and the Council did not. This is why for negotiations we need to know what the dollar savings would be and we could back up our argument.

Mr. Curry said we need a plan document for each department with different contribution formulas. He has been receiving general pricing. Once we've outlined our objectives and outline to the various unions then we could bring in the various administrators and get from them first hand potential issues with their defined contribution program. We are looking for ways to create the document and design of plan that reduces fiduciary issues. He said that if he were negotiating for his union he would like to know choices for his people. We could get bids from outside investment companies or what they could provide on their platforms. Now, we would have some kind of contribution match. From an administration standpoint, they handle loans, cash outs, benefits. They do provide full-service administration.

Ms. Villano said that if you were the person negotiating for the union you would want to know the cost; what's the town cost? What are the real costs?

Mr. Stashcke asked would we gradually change or would we freeze and go forward. Ms. Villano asked and answered – What does the Town contribute? Now, it is around \$1 1/2M. 11% to 40% of payroll. Police is almost 50%. Some GSA is around 10%. That's an average of 25%. It is huge!

Mr. Mazza said when we start contract renegotiations with GSA in January it is important that we have something in place. GSA is around 14% and higher on some individual contracts.

Mr. Curry suggested that we could ask each firm to give us a formal response for administrative costs. \$2,000 and then \$5/month per for participant service. Ms. Villano remarked that that brings us back to around \$25,000 again. You would have to have a plan for each union. Mr. Curry said we could ask if we could consolidate some. Mr. Potochney commented that it would be tough but it should be tried to get (1) for the Town and (1) for the BOE.

Mr. Goldblatt added that for cost sharing on medical we have 7 groups on 6 different plans. He said that if we could get a model with GSA then we could use it going forward. Mr. Curry said maybe we could list the different unions as sub-groups. [Mr. Mazza leaves the meeting – 9:02 AM]

Mr. Goldblatt suggested that they go into executive session. Mr. Potochney said that at the next meeting they should plan an Executive Session.

Mr. Goldblatt continued saying that it was no secret that the pension will be an item on all the collective bargaining agreements. Once we discuss plans and how much then we are showing our hands. Mr. Curry said that at the next meeting he would have the TPAs provide cost proposals.

Ms. Villano gave requested demographic data to Mr. Curry: Active, Vested and Current pensioners for Town, School and Police. (9) groups, (3) sets. This comes from last years' valuation. Mr. Goldblatt and Ms. Villano will update with this years' data.

3. Plan of Action for next meeting

Mr. Curry asked whether they should pursue what other towns have done. Mr. Goldblatt suggested that they could talk to Town of Orange about the (401a ?). 401k allows employee contributions. Mr. Goldblatt said that 401k is for private individuals and that 401a is public. Mr. Potochney added that he thought 403b was equivalent to 401k and that the municipalities can now have 401k. Mr. Curry asked Mr. Goldblatt if it has an employee base and match. Ms. Villano said she would like to see what other municipalities do. Ms. Villano said they gave Mr. Curry a real contribution number and Mr. Goldblatt will bring to the next meeting what the Town of Orange does.

Mr. Curry explained that the administration responsibilities are not as complex with these [plans] but there is an annual filing and coverage testing. This is not as complex as what Milliman does. Mr. Staschke said this would long term – not immediate savings.

Ms. Villano queried would a third party take a plan with only 5 people in it? The document cost would be the same but the participation less. Mr. Curry added that the document wouldn't have to be tinkered with for around five years. If we put out an RP, the TPAs would have to know that it would not be all at once. He requested a schedule of when all the plans come due. Next summer the BOE will be up for bargaining. The concern right now is to have something for January so that we do not go into negotiations blind. Maybe the other side will want to cost it out. Negotiation can be a 2-way street.

4. New Business None.

A motion was made by Mr. Goldblatt and seconded by Mr. Potochney to move this meeting to 8/26 to coincide with the regular Pension Committee Meeting for August. All aye.

Adjourn

There being no further business and upon a motion made by Mr. Goldblatt and seconded by Mr. Potochney it was then unanimously voted to adjourn the meeting at approximately 9:14 AM – [0:28].

Respectfully submitted,

Susan Gomez
Aug. 4, 2010

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