

~ Draft ~ **MINUTES**

Guilford Pension Committee

Regular Meeting # 281 – August 26, 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: Robert Hartmann (*chair*), George Curry, David O'Connor and Alex Sommers.
(4 of 5)

Absent: Wayne Staschke.

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

Others Present: Andy Potochney (*School Business Administrator*)(8:30 AM), Sharon Milroy
(*Board of Education Insurance Dept.*), John Roach (*ret. Police Officer*), and
Sue Gomez (*Recording Secretary*).

(8:05 AM – 9:22 AM) - [1:17]

Chairman Bob Hartmann called the meeting to order at 8:05 AM.

1. Public Forum.

None.

2. Approve minutes of:

2.1 July 29, 2010 Regular Meeting

Upon a motion made by Mr. Sommers and seconded by Mr. Curry it was unanimously voted to approve the minutes of 7.29.10 as submitted. (4-0-0)

3. Finance Director's Report:

3.1 Monthly Investment Report from the Finance Director (July)

Ms. Villano reported that Betty Festa did apologize in response to the strongly worded letter sent by Ms. Villano in the name of the Pension Committee concerning the lateness of the monthly statements. Since Ms. Villano only received half of the July statements she was not able to do a summary for July.

Ms. Villano distributed copies of the June report: 14% gain on the year; 5 basis points difference.

By consensus, the committee jumped to Item 6.1. (error in numbering – should be 7.1)

Status of Appointment of Trustee

Mr. Bivona stated that there wasn't anything they could hold back (as incentive for Wachovia to send statements on time), Wachovia pays themselves.

Mr. Bivona said that Groton and Hamden use Reliance Trust Co. They seem to be reliable and they do the benefit payments. 90% of Mr. Bivona's clients use him (Wells Fargo Advisors) as custodian and are self-trusted. Our Pension Plan has 3rd party managers and they maintain oversight. Wachovia is supposed to oversee all this again and they are not doing the job (@\$28,000/yr.). Ms. Villano had to do the June statement for the auditors. Mr. Hartmann commented that if Ms. Villano could do it, then Wachovia could do it. Mr. Bivona added that Wachovia double paid managers a few times; they do not have internal check points and it happened a third time. The proposed custodian (Mr. Bivona – Wells Fargo Advisors) will give us these reports 24/7 on-line access.

How other towns handle the Trustee issue:

Town of Cromwell – Finance Director and First Selectman.

Town of Madison – First Selectman is Trustee.

Town of Clinton - Board – Police official, representatives of both parties and First Selectman.

Town of Waterbury – uses the Pension Committee.

Mr. Hartmann remarked that it looks like we can appoint anybody is that is bondable.

Mr. Curry wants to go over the marked up proposed changes with Town Attorney Mike Dorney.

Mr. Bivona answered that he did not know why Wachovia could not do what he does. Wachovia has different departments.

On the trustee situation, Mr. Curry said that you've got paid employees or elected officials on the defense. In R.I. they have an underfunded plan; payments are late, or repeatedly incorrect. They are filing law suits with the State and Boards. Why would we want to put ourselves in this position? Mr. Curry would like to review this with Atty. Dorney. Mr. Curry described trustee: are we exercising good oversight over investments and environment is very sensitive right now. Mr. Bivona asked, as fiduciary, what is Wachovia doing now? They are only an accounting body doing benefit statements. They are holding assets and they are supposed to oversee if all is working smoothly. Do we have a policy statement? Do we have meetings? Do we do research for managers? We have all these check points. If you move to Mr. Bivona (Wells Fargo Advisors) as custodian, Ms. Villano will make sure payments go out on time and are correct. That's the oversight you are not getting from the bank.

Mr. Sommers said that he and Mr. Curry were concerned that our Pension Plan document is from the old world. We would be more vulnerable to complaint; say we invested in "Madoff II" – who is "Guilford" in this document? Mr. Curry said that collectively the Committee is trying to steward the Plan; it is not us against the Town. Ms. Villano said the Pension Plan document was drawn up by a Pension Attorney from LeClairRyan. Mr. Curry said he was not an expert in legal contracts. Ms. Villano said they didn't rewrite; they revised and combined the old agreement. We do not own real property in Pension. Mr. Bivona said if we did, then we would need a Trustee. Mr. Hartmann said that our investment policy doesn't allow us to own real property. Mr. Mazza was concerned: we had LeClairRyan work on this; maybe we should not pay for this. Ms. Villano said that Mr. Curry picked up a lot of issues [with the new/revised Trustee document]. Mr. Mazza said he would speak to Town Counsel Dorney about the fees for this. Mr. Curry noted what he thought were several misreferences; "it's just not where we are." Mr. Mazza asked if it would be worth the money to have Attorney Dorney come to the Pension Committee meeting to address these questions. Mr. Sommers said he sees [the trustee agreement] as an old document and it doesn't address the issue of a group like ourselves who are investment people. The chance of anything going wrong is small but, if he signs he felt he would be a sitting duck in the hands of a clever attorney. He felt they needed to find some much more recent language. Mr. Mazza said we could call a special meeting for the next meeting. We want to have this done before any labor negotiations. Mr. Curry has pension plan type issues and this would take some liability off the town and individuals who sign this document. [Andy Potochney joins the meeting – 8:30 AM]

Mr. Hartmann and Mr. Mazza asked if we could get copies of other Towns' documents through CCM. Most towns have operated in good faith but do not necessarily have correct documents. Mr. Bivona commented on a situation in Fairfield that was in the Wall Street Journal. There was discussion of the various platforms (401k, 457, 404c plans) as to responsibility to educate and monitoring.

Mr. Curry said our current TPAs are Valic or Lincoln Financial for employee 457 plans. The challenge to the subcommittee will be to find an investment company that can deliver the services.

The committee agreed to bring Town Counsel Mike Dorney in for an hour:

- 1) go over the form of the trustee agreement
- 2) and who they will be.

Mr. Mazza said it may have to be a committee of several individuals.

We should appoint the "titles" so that we don't have to change the document every time someone leaves.

4. Approve Requests for Pension Benefits for Town employees, as follows:

- 4.1 REQUESTS FOR PENSION BENEFITS:
Virginia Czaplicki – Senior Coordinator, Community Center
Date of Retirement: 10-01-10

Joann Kautz – Asst. Sr. Citizens Coordinator, Community Center
Date of Retirement: 10-01-10 Deceased 8.20.10

George Gdovin – Building Official, Town Hall South
Date of Retirement: ~~10-01-10~~ 10-15-10

Mr. Goldblatt went over the status of each:

Virginia Czaplicki – has not chosen how she will take the distribution yet. She could come back next month when she chooses.

Joann Kautz - Milliman did a recalculation of the death benefit. The spouse will choose a monthly benefit for life or a lump sum.

A motion was made by Mr. Sommers and seconded by Mr. Curry to approve the monthly benefit for life or the lump sum for Joann Kautz whichever her spouse chooses. All aye. 4-0-0.

George Gdovin – The retirement date should read 10-15-10. Mr. Gdovin has elected to receive the lump sum.

A motion was made by Mr. Sommers and seconded by Mr. O'Connor to approve the lump sum settlement for George Gdovin. All aye. 4-0-0.

5. Correspondence:
None

6. Investment Advisor: Review of Annual Report
Will be the last item.

7. Old Business

- 7.1 Status of Appointment of Trustee
This has been addressed above under 3.1

Other Old Business:

Mr. Goldblatt gave an update on request for consideration of Prior Military Service by Town employees. The Board of Selectmen decided that it will not be extended to members of the Town and School Pension Plans. Individuals involved on the Town side have been notified of this decision; on the school side, not yet.

8. New Business:

- 8.1 Discussion and possibly take action on Cost of Living Adjustment (COLA) as of 7-01-10

Ms. Villano gave a brief summary of the letter dated 8.12.10 from Milliman Re: Retiree Cost of Living Adjustment. This review is conducted every two years.

Mr. Friedman gave the following figures: 2.8% for full CPI and 1.7% for 60% of CPI. These are low compared to past years. In the past the Pension Committee made a recommendation to the BOS.

The committee discussed the fact that town employees were asked to forego their step raises again this year. The economy is still in difficult times. Unemployment is not going down. The Town was only able to contribute 1/2M this year to fund the Plan of the 1M obligation. The cost of the increase would be \$39,000 and

it would add to this. Given the difficult times, the committee felt that the prudent decision would be to hold off on giving a COLA increase.

A motion was made by Mr. Sommers and seconded by Mr. Curry not to recommend a COLA increase for pensioners to the BOS at this time. All aye. 4-0-0.

Ms. Villano asked that they bring to the BOS that the Pension Committee did not recommend a COLA increase.

Mr. Curry followed up to John Roach. The mind set of the Town as we go forward with negotiations is that we are telling our pension group no COLA – we all must feel the pain: workers and retirees. Trying to justify an increase at this time would be difficult.

6. Investment Advisor: Review of Annual Report

Mr. Bivona distributed copies of the Annual Report and Asset Allocation Study.

Tab 2 – This was a good year despite a lousy last year. We were down 2.8% v policy index was down 5.6%.

Interest rates have never been this low before. 10-yr bond is 2.5%; 5-yr bond is less than 1.5%.

30-yr mortgage is at 4.34%. Hillswick and ING saved us because of decline in interest rate.

p. 15 – the target is 35% fixed – we are at 43.3% fixed.

How to rebalance – Sep. & Oct. are volatile months of the year, stay conservative, then see what happens with the last quarter and make a decision in December.

We achieved 13.9% even with underweighted equities.

We are at a very crucial point; technically we want to be neutral.

Mr. Mazza reported that because of the low interest rates the Town was able to favorably finance 18M in bonds at 2.84% over 20 years. There were 9 bidders.

Mr. O'Connor asked why this was not an opportunity to put some funds in Anchor with Mid-Cap as we are over weighted in fixed. Mr. Bivona said the market got to 10,700, we're at 10,000 now; they think it will rally 3-400 points gradually but will be very volatile. If the market breaks down we will not be affected as much on the down side if we stay where we are. Mr. O'Connor questioned whether we had the right asset allocation. Do we make a move now? We are 7% over on fixed.

p. 13 - only 2.8% down had been because we moved to fixed income. We used the asset analysis and we protected ourselves from the downside. We are 4% better than most pension funds.

Mr. O'Connor and Mr. Mazza asked at what point do we look at target and reallocate? Mr. O'Connor said if these are the right targets then we should go with it. Mr. Curry pointed out that even some of the big endowments had lowered their equities to 38%. How long can we say that 7% is a believable growth rate?

p. 5 - Asset allocation. Forecast – they lowered return expectations to 9.8% on large caps. We have issues on the table right now with trustee and hire a small cap manager and they will redo the study next year.

p. 6 - We are between D & E on portfolios looking forward 10 years.

p. 7 - On the current portfolio – 8% is expected over 10 years.
Our target is 65 which indicates "D" – we are at 56% equities. 45% - 60% is the range for fixed.

Conclusion – we would not change anything at the moment. The only exception would be to look at the possibility of adding an alternative in emerging markets.

Mr. Curry suggested doing the asset allocation at the end of the year after the elections.

**The next Regular Meeting is scheduled for
Thursday, September 16th, 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. Curry and seconded by Mr. Sommers it was then unanimously voted to adjourn the meeting at approximately 9:22 AM – [1:17].

Respectfully submitted,

Susan Gomez
Sep. 1, 2010

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~ Draft ~ MINUTES

**Guilford Pension Committee – Defined Benefits Plan Sub-Committee
Regular Meeting # 2 – August 26, 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), David O'Connor, Andy Potochney, Sheila Villano and Mitch Goldblatt.

Absent: Wayne Staschke.

Town Official(s):

Others Present: Robert Hartmann (*Pension Committee, chair*), John Roach (*ret. Police Officer*) and Sue Gomez (*Recording Secretary*).

(9:22 AM – 9:55 AM) - [0:33]

Chairman George Curry called the second meeting of the Defined Benefits Plan Sub-Committee to order at 9:22 AM.

1. Public Forum.

Mr. Roach saw on the agenda that an Executive Session may be required and he objected to going into Executive Session when there was no plan to discuss. Mr. Goldblatt said they would need an executive session when it became a matter of strategy. Pensions will be on the table on upcoming contract negotiations and this committee will represent management side so it is a negotiation strategy. Once we talk about what makes sense for Guilford, then the other side knows what our strategy is. Once we discuss specific numbers then we will want executive session. Mr. Roach said we were spending public funds and the public should know. Mr. Goldblatt replied that it would not

affect anybody until it is negotiated. Ms. Villano added that they have not discussed or decided whether this will affect just new hires or all employees.

Executive Session will not be required for this meeting.

Mr. Curry wanted to share feed back from the TPAs. We don't know if the pool of employees will be existing and new. What will/can outside vendors provide is what we are studying: privacy; administrative costs will be driven by potential pool of participants; and we need to speak about very specific documents: one for school and one for Town. This would be an investment contract that would be used; 2 of 4 third party administrators will not provide that investment side that is important to us. Our pool of available administrators has been cut in half.

Mr. Roach said that we are bound by the FOIA laws and that he would seek all information permitted by these laws.

2. Approve minutes of:
 - 2.1 August 26, 2010 Regular Meeting

Upon a motion made by Mr. Goldblatt to approve the minutes with correction of three small typos. The motion was seconded by Mr. O'Connor and it was unanimously voted to approve the minutes of 8.26.10 with corrections.

Page 1 - Once we've outlined ~~out~~ **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.

Page 2 - Mr. Curry suggested that we could ask each firm to give us a formal response for administrative ~~costs~~ **costs**.

Page 2 - If we put out an ~~RP~~ **RFP**, the TPAs would have to know that it would not be all at once.

(Executive Session may be required)

3. Reports by several Third Party Administrators

It was previously determined that an Executive Session would not be required at this meeting.

Since the last meeting Mr. Goldblatt sent to everyone reports that show the current employees, those that are vested and those receiving pensions. These are divided by Town, Police and BOE thus yielding 9 reports. This data was requested by the subcommittee.

Mr. Curry said they will look at two scenarios: 1) prospective employees and 2) prospective employees and current employees. He reviewed the Town of Orange plan. He will request a study done by 2 administrators to give us the administrative costs and projected contribution for the Town based on a certain set of assumptions and design and then go into executive session to look at. There is no cost for these projections.

Mr. Goldblatt said that the current plan in Orange is for new hires. The "old" plan continues to shrink as they are not adding any new employees. The Town matched up to 10%; a very generous match. They had a sliding vesting schedule over 5 years – 20, 40, 60, 80, then 100. Mutual of America is the investment custodian. The 457 plan is for elected officials only by ICMA. Mutual of America manages Police and Town plans for the Orange Board.

Ms. Villano asked how do they budget? Mr. Goldblatt replied you budget for the maximum of 10% which is the same as the Town does now. The Orange Police negotiated 12%.

Mr. Potochney said that the BOE doesn't match on the 403b. They looked at TPAs and settled on OMNI and they have 7 or 8 providers and participants can select. Those providers pay OMNI for administrative costs and it has worked well. OMNI does all the administrative work. Representatives come in often. Three or four

have the bulk of the employees. Mr. Goldblatt said that we have added Valic and Lincoln Financial on a voluntary basis. They have come to our benefits fairs and they will come to your home.

Mr. Curry said that we would want a loan provision. Mr. Goldblatt replied that he didn't know if 401k plans or others had loan provisions.

Mr. Potochney said that the advantage of TPAs is that they do all that; they sign off on loans, etc.

Ms. Villano asked if was necessary to do an RFP. Mr. Curry said that the administrators he spoke to would provide us with some numbers. Ms. Villano said we don't know yet what we want and some may not want to take on with so few employees. Mr. Goldblatt added that right now we are not hiring – only 1 -2 people per year. Will someone take us on with the expectation that it will grow? Mr. Curry replied that 2 of the 4 he contracted were not interested. A minimum of 10-25 is a reasonable pool of candidates for TPA. Mr. Goldblatt theorized that if one or more of the bargaining units were to switch over; but then said he did not think that would be possible. We may want to see what West Haven uses.

Ms. Villano would like to do a scenario. Mr. Potochney said it was a matter of perception. He said people would feel cheated. Mr. Goldblatt said that in Orange people were given the opportunity to change. There was a grace period and if you were contemplating a move it might be advantageous. You could also add to the 401k so that you start with a bigger base. If you offer a frozen status and move over he believes it can be done. Mr. Potochney said one of the keys is that the TPA can educate the employees. Mr. Curry said that Milliman would have to do some calculations. Mr. Goldblatt said that we may have some Police Officers who feel that they would get back more than just their contribution. Mr. Curry said that the people he has spoken to know what has happened in other towns. Mr. Hartmann asked Ms. Villano to try a couple of examples to show that it is a viable alternative. A proposed provider could do this for us.

Mr. Curry will contact the providers and request some examples and contribution projections.

4. New Business
None.

Adjourn

There being no further business it was unanimously voted to adjourn the meeting at approximately 9:55 AM – [0:33].

Respectfully submitted,

Susan Gomez
Sep. 1, 2010

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