

## **RIDGEFIELD PENSION COMMISSION**

Meeting of Monday, June 19, 2017

MEMBERS PRESENT: Messrs. Chris Christiansen, Tom Hayes, Mike Rettger, Chris Sierakowski, Jim Stoveken

MEMBER ABSENT: Mr. Art Aaronson

The meeting convened at 8 PM in the lower level small conference room in Town Hall. The following business items were discussed.

1. Mr. Christiansen reported that Commission member Art Aaronson had been re-appointed for a new term by the Board of Selectman. A candidate to fill the term of departing member Ted Seibert has made application to join the Commission and will be meeting with First Selectman Marconi.
2. An invoice from Cohen and Wolf for their work on the restatement of the Police Pension Plan was reviewed. The bill is for \$7,500, which is the previously negotiated amount for the work. Upon motion and second the invoice was approved for payment.
3. The members continued the discussion, carried over from previous meetings, concerning alternative approaches for the 14% position in Market Neutral and Alternative Funds in the Plan Investment Policy. In the May meeting of the Commission, Vanguard had presented several alternate implementation strategies that would involve reallocating funds from the current mutual fund positions, to other mutual fund investments that would be expected to provide the same dampening effect, but at a significantly lower cost for management fees. Having had the time to review the Vanguard materials from that earlier meeting, the members focused their attention on alternative "Portfolio C". The members felt that this alternative achieved the intended objective of volatility dampening in down markets, and provided substantially the same return and risk characteristics in the context of the overall portfolio as the current positions, after consideration of the management fee differences. The members noted that this alternate configuration would reduce the Plan's management fee cost by an estimated \$135,000/year at current asset levels.

After further discussion, upon motion and second, the Commission voted to accept the recommended change in implementation of the Market Neutral/Alternative Funds position as represented by "Portfolio C." Mr. Christiansen will communicate that acceptance to Vanguard, with the instruction that this change should be implemented at their discretion as to timing, but no sooner than the close of the current June quarter.

4. The members also discussed possible future changes to the Plan's Investment Policy with regard to the portfolio allocation to equities. There is an interest in analyzing a potential strategy for increasing the equity allocation at some point in the future when declining equity market conditions might present an appropriate opportunity to achieve this, with the long term goal of enhancing the Plan's longer term expected return. Several areas of investigation were discussed, including developing some illustrations of actual implementation results using historical market cycles (such as the early 1970's and late 2000's), asking the Plan actuary to calculate how these illustration results would affect expected funding requirements of the Plan,

and researching the equity allocation position of other municipal and state pension plans, for comparison.

5. The members also discussed possible changes to the OPEB Investment Policy in light of information received over recent meetings from the Town finance staffs on expected future cash flow patterns for this program. The members agreed that this consideration should wait on getting the information in the next annual actuarial projection and report for this plan, which is expected to be received after September.
6. Mr. Christiansen reported on the project to confirm retired lives. He has not heard back from the town's HR manager, so he will follow up to discuss how this effort should be communicated if and when a potential confirmation situation is identified.
7. Mr. Christiansen also reported that the work to update the Plan documents has identified the fact that the mortality tables described in the current Plan documents are quite out of date, and probably should be changed to reflect more current mortality tables. The actuarial interest assumption was also identified as a possible area for change. These factors do not impact the benefit paid to an individual who opts for a life only pension, but can result in some differences when the retiree chooses a joint annuity payment option. Generally the effect of making these updates would be in the favor of the retirees, but would only affect future retirees. There were some questions about how these changes should be communicated and how and when they might be implemented, given that some of the Plans involve collective bargaining units. Mr. Christiansen will meet with the Town's HR manager to discuss this further, and report at a subsequent meeting.
8. Mr. Rettger reported on his research concerning pension plan fidelity bonds, which would come into play in the event of misappropriation or embezzlement of Plan assets. Generally the Plan's controls in place concerning approval of invoices and multiple signatures for checks serve to mitigate the need for this coverage, at least with respect to the Commission itself. There may be areas where such coverage may be appropriate given that various Town employees are also involved in the movement of funds. Mr. Rettger will discuss these situations with the Town Risk Manager, who has looked into adding an endorsement to the Town's master insurance policy for this coverage area.
9. Mr. Rettger updated the members on the establishment of an electronic repository for Commission materials, which was approved at the previous meeting. He has established an account in the "Google Docs" platform for the Commission's use, and will be working with Mr. Christiansen to load documents and provide access to the Commission members and other appropriate Town staff (such as the Treasurer) over the coming month.
10. Mr. Christiansen updated the members on the work to update the contract with TR Paul and the Plan's consulting actuary. Several members had provided comments to the first draft of a contract that had been received from TR Paul. The primary area of comment was getting better clarity in the contract in the respective roles and responsibilities of TR Paul versus the actuary, and establishing whether these roles were independent between those parties or one was subsidiary to the other. Mr. Christiansen will discuss the comments and concerns with TR Paul, the actuary and the Town's legal counsel.

The meeting adjourned at 9:55 PM.

NEXT MEETING: There is no Commission meeting currently scheduled for July or August. A next meeting has been tentatively scheduled in the small conference room in Town Hall on Monday, July 31 at 8:00 PM. Mr. Christiansen will confirm the meeting date after checking back with the members once they have had the opportunity to confirm their availability for this meeting.

Submitted for the record with the concurrence of the Commission members

Michael Rettger

June 21, 2017