

**Ridgefield Pension Commission**  
**Minutes of the Meeting of March 19, 2018**

The meeting convened in the small conference room of Town Hall at 7p.m.

MEMBERS PRESENT: Messrs. Chris Christiansen, Tom Hayes, Mike Rettger, Art Aaronson, Chris St. Victor de Pinho, Chris Sierakowski, Jim Stoveken (by telephone)

MEMBERS ABSENT: None

OTHERS PRESENT: None

- 1) Following discussion of a question by Mr. Sierakowski requesting clarification of the proposed Town Charter amendment agreed at the meeting, upon motion and second, the minutes of the Commission's February 26, 2018 were approved.
- 2) Mr. Christiansen presented an invoice from Hooker and Holcombe for their actuarial study of the OPEB plan that was reviewed at the previous meeting. The billing is for \$17,000, which is higher than originally proposal of \$13,500 for this work. The additional cost is attributable to the circumstance that, as reported at the last meeting, there was a new OPEB benefit for BOE employees that was identified late in the analysis process, and which required significant re-work of a portion of the analysis. Upon motion and second, the bill was approved for payment as presented.

Mr. Christiansen also reported that he had been contacted by the Cohen and Wolf attorney who is working on the plan document updates, requesting a substantial increase in the original proposed budget for this work. They feel that there have been many more revisions identified in the review process than they had expected, based on the work they had done on the Town plan document revision several years ago.

Several members expressed surprise and concern by the size of the requested change, which nearly doubles the budget for this work. Concern was also raised about the lack of detail in the billing received for the work to date – the bill shows the day the attorney worked on the plan, but does not contain detail as to specific numbers of hours or hourly billing rate. The members asked Mr. Christiansen to ask for details on the work to date, as well as to request a more detailed basis for the firm's revised estimate of the expected work remaining. It was noted that while it is correct that the Firefighters' plan document (the last document worked on) did generate a volume of questions and suggested changes, the two previously restated documents will only need the newly added edits which should not take as much time as it took to revise the Firefighters' plan.

The members agreed to discuss the request further at the next meeting, after receiving the requested information from Cohen and Wolf.

- 3) Mr. Christiansen reported that in light of the discussions that have been developing around the revisions of the plan documents and the trust agreements, he had discussed with the Cohen and Wolf attorney that it might be useful to have her attend the next meeting to provide some education to the group on the general duties and expectation of trustees and fiduciaries. The members discussed that we should hold off making that request until we get the current billing questions resolved. As an alternative to this idea, Mr. Christiansen asked Mr. de Pinho if he could look around for a good education document on these topics that he could recommend to the members for background reading.
- 4) Mr. Christiansen reported that the proposed change to the Town Charter concerning the scope and role of the Pension Commission had been submitted to the chairman of the Charter Revision Commission. Mr. Rettger indicated that based on a conversation with someone he knows on the CRC, they will contact Mr. Christiansen and schedule a time in one of their planned public meetings for us to present and discuss the proposal with the CRC.
- 5) Mr. Christiansen reported that following the request of the Commission in the last meeting, he discussed the proposed change in benefit option factors with Laurie Fernandez, Town HR director. She indicated that since the updating of factors is not changing the core benefits under any of the plans, that making such a change would not require the Town to go through the collective bargaining process with any of the employee groups. She asked if going forward, updates of these factors could be tied to changes in the mortality and interest rate assumptions that are being used in the annual actuarial valuation for the plans, so that the factors could be kept more automatically up to date with those assumptions. Mr. Christiansen discussed this idea with Dave Leonard (the Commission's consulting actuary), who indicated this was a reasonable suggestion and something that could be easily implemented going forward.

**Voting Action:** Upon motion and second, the Commission approved the changes to the option factors calculation that were presented and discussed at the February meeting. As part of this motion, the Commission also agreed to adopt a policy to update these factors in the future whenever there is a change made to the mortality table assumption or the interest rate assumption used in the annual actuarial valuation. Both approval actions were made subject to receiving confirmation of agreement with the changes in writing from Laurie Fernandez on behalf of the Town.

- 6) Mr. Hayes reported on his discussion with Vanguard on the suggestion to allocate a portion of the Trust's assets to a commodity position, in recognition of the potential diversification and counter-cyclical effects of such a position. Mr. Hayes confirmed that Vanguard does not currently offer any mutual funds that invest primarily in commodities or commodity-like proxies. One potential would be to invest in an

emerging market index fund as a rough proxy for the desired position, but Mr. Hayes feels the nature of the proxy relationship is weak, relative to the desired sector behavior, and Vanguard expressed concern that the emerging market sector is somewhat overvalued at present, and thus this would not be a good opportunity to redirect funds this way. A second alternative proposed by Vanguard would be to set up a brokerage account with Vanguard and take a portion of the total Trust funds now under Vanguard management to purchase commodity ETFs directly through the brokerage. Mr. Hayes felt, and other members concurred, that it would not be a desired approach to have such dedicated/directed investments that fall outside the overall investment management responsibility of Vanguard. Several other alternatives were discussed, but overall the members felt that there were no reasonable approaches to pursuing this potential strategy at this time that would be consistent with the rest of the Commission's overall investment policy and strategy.

- 7) The members discussed several elements of the Commission's work on governance documents, beyond the Town Charter amendment discussed previously. Mr. Christiansen highlighted the Terms of Reference document drafted by Mr. de Pinho that Mr. Christiansen had circulated earlier. Mr. de Pinho clarified that the purpose of the document should be to build on other elements of the Commission's governance framework, such as Town ordinances and the trust agreements, by providing additional and clarifying specifics relative to those higher level documents. The members discussed their views on the intended role of the Commission with respect to the Town retirement programs. In general, there was agreement that the current apparent scope of the Commission as contained in the Town Charter and Ordinances is broader than desired, in that they make the Commission responsible for all elements of the process, but that the Commission has no authority or control over key actions, such as benefit negotiations and trust funding decisions.

It was agreed as a general direction that the role of the Commission should be to focus on the operation and investment management of the retirement trusts, as well as directly related activities like the annual actuarial valuation. The members do not see the role of the Commission to be responsible for the day-to-day administration of the various plans, such as eligibility determination and benefit payment calculations, as those roles should be handled by plan administrators. As a basis for moving this concept forward, the members agreed that we should work to develop a revision to the current Town ordinances that reasonably describes and articulates this desired separation of responsibilities. We should also be working to revise the current OPEB trust agreement to reflect what is proposed to be done with the ordinances, and use this then as the model for revisions to the current pension trust agreement. Once those "lead" documents are done, then the group can focus on working with the Town to develop or revise plan administrator agreements, as well as to complete more detail for the Terms of Reference document.

- 8) Mr. Christiansen reported that he had discussed the issue of having two active trusts

with Cohen and Wolf, and they agree that having two concurrent trusts is not appropriate. It was generally agreed that an outcome where the Commission is not the designated trustee for the pension and OPEB trusts is neither likely nor desirable. Given this outlook, it would appear that the Vanguard trust agreements should be terminated. It was agreed that this should wait until more of the governance framework work is completed, so that the full picture is apparent before taking this action.

- 9) Mr. Christiansen reviewed other elements of the Commission's planned 2018 activity agenda and schedule. He reported that since Vanguard has determined that they do not have the models to run a full asset/liability projection analysis for municipal pensions, he has been discussing getting a multi-year liability projection from the actuary that could be linked with asset return model projections from Vanguard. There was discussion about other possible sources for such projections. Mr. Hayes comments that most models would be fairly similar to the results we have seen from Vanguard, and all will be showing lower 10-year forward estimates as the past ten year experience will cause most models to be somewhat less optimistic in their forward forecasts.
- 10) Due to travel conflicts, it was agreed to move the next meeting date to April 23 at 7:00 pm.
- 11) Mr. Christiansen asked if the members felt we should have a contract with Hooker and Holcombe, as we do with TR Paul and their actuary. Given the more limited scope of the H&H's work, being just the OPEB valuation analysis, the members felt that having a contract (versus doing year-to-year engagements) was not necessary at this time.

Upon motion and second, the meeting was adjourned at 8:40 p.m.

Submitted as approved at the April 23, 2018 meeting of the Pension Commission

Michael Rettger, Secretary  
April 24, 2018