

Ridgefield Pension Commission
Minutes of the Meeting of April 15, 2019 [FINAL]

The meeting convened in the small conference room of Town Hall at 7:00 p.m.

MEMBERS PRESENT: Messrs. Chris Christiansen, Mike Rettger, Art Aaronson, Chris St. Victor de Pinho

MEMBERS ABSENT: Messrs. Tom Hayes, Jim Stoveken, Chris Sierakowski

OTHERS PRESENT: Mr. Brian Binkley, Vanguard

1. Mr. Christiansen invited Mr. Binkley to open the meeting with a continuation of the discussion of the topic of active/passive mix strategy from the January and March meetings. Mr. Binkley reported that after further consideration of the March discussion, he has modified his thinking somewhat and would suggest that the Commission consider moving to a wholly passive strategy for its equity portfolio. His thinking reflects the following points:
 - a. The Ridgefield Pension Trust is very well funded (both in absolute terms and relative to other municipal plans), and the assumed rate of return used in its actuarial valuation is closely aligned with projected long term rate of return expectations, given the current asset allocation policy.
 - b. Two factors in deciding the extent of active management should be the organization's understanding of and tolerance for risk (defined by volatility and expected tracking error) and the need for take on risk to achieve the plan's funding goals. The current financial situation of the Ridgefield plan, as outlined above, suggests that the plan does not have a strong need to take on significant performance risk.
 - c. The change in mix strategy under consideration, from 50/50 to 70/30 passive/active, would reduce the overall portion of the portfolio under active management to just 17%. At that level, the estimated cumulative expected benefit of active management would be small relative to the expected overall portfolio result, on the order of a projected 8-9 basis points over a 10+ year horizon.
 - d. While Vanguard believes in active management, achieving the benefits takes discipline and risk tolerance over an extended period. Performance of a portfolio is driven much more by the result of overall asset allocation decisions than by the active/passive mix decision.

Mr. Binkley reviewed an exhibit of the potential savings in fund management fees that would result from a move to an all passive equity portfolio, relative to the current portfolio costs. The members discussed Mr. Binkley's comments and information. It was observed that retaining some level of active management could provide the plan with upside performance potential at a small cost, but it was also noted that the potential increase in expected average return (relative to a fully passive mix strategy) would be expected to be accompanied by an increase in the dispersion of those returns, including the risk of underperforming relative to the policy benchmark.

Mr. Christiansen suggested that in the absence of several members, including two members from the asset mix working group, any decision should be deferred to the next meeting of

the Commission. The members agreed with this suggestion.

In response to a question, Mr. Binkley commented that the factors discussed applied mainly to the equity portions of the portfolio, and that there were different considerations in deciding the active/passive mix strategy for the fixed income portions of the portfolio. He suggested reviewing the fixed income active/passive strategy in more detail at a future meeting.

Mr. Binkley also briefly reviewed the first quarter performance reports for the portfolios, and commented on the results of several of the trust's holdings relative to their benchmarks. He agreed to provide Mr. Christiansen a copy of Vanguard's results attribution analysis for distribution to the members of the Commission.

Mr. Binkley left the meeting at 8:20 pm.

2. Upon motion and second, the minutes of the Commission's March 18, 2019 meeting were approved.
3. Mr. Christiansen distributed for review an invoice from TR Paul for work on the updates to the plan documents now underway, and for several benefit calculations.

VOTING ACTION: Upon motion and second, the invoice from TR Paul was approved for payment as presented.

4. Mr. Christiansen reported that as the result of recent negotiations, the Board of Education had agreed to provide currently-serving school nurses the same pension benefit that the other union BOE members have, and to have the nurses group make a required employee pension contribution of 2.5% of base salary. As one element of those negotiations, the BOE decided that new hires for the nurses group, on or after July 1, 2019, will no longer be eligible for the current defined benefit pension plan, but will instead be placed into a defined contribution plan.
5. Upon motion and second, the Commission approved going into executive session at 8:25. The meeting returned to regular order at 8:30.
6. Mr. Christiansen updated the members on a number of informational items since the last meeting:
 - He will be meeting next week with Rudy Marconi, Laurie Fernandez, and the BOE Superintendent and the BOE finance director, to discuss the proposed changes to the OPEB trust agreement. At Mr. Marconi's invitation, the attorney from Cohen and Wolf who is working on the trust agreement revisions will also attend the meeting.
 - Town HR is working with TR Paul to provide return of contributions to the group of terminated unvested employees that has been discussed at previous meetings. A portion of the TR Paul invoice included calculation of return contributions for several people who have been identified and contacted so far in this effort.
 - Mr. Christiansen discussed several operational issues he has encountered with recent

Vanguard reports. He will continue monitoring these with the help of Town finance department staff.

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

Submitted as approved at the May 20, 2019 meeting of the Commission
Michael Rettger, Secretary
April 17, 2019