

Ridgefield Pension Commission
Minutes of the Meeting of April 23, 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 Sierakowski, Jim Stoveken

MEMBERS ABSENT: Mr. Chris St. Victor de Pinho

OTHERS PRESENT: Bill Burns and Phil McCabe, Vanguard Investments (via telephone), Mr. Jim Carroll (town resident)

1. The meeting began with a presentation by Bill Burns and Phil McCabe of Vanguard, providing a review of recent investment performance and the Vanguard investment market outlook. Despite recent declines, equity returns remain positive for the current fiscal year, and are favorable relative to benchmarks. Fixed income returns are flat for the year, due to a rising rate environment, but the portfolio has not declined as much as the benchmark portfolio due to a more defensive posture. The international fixed income portion and the TIPS portion of the portfolio have offset negative return for domestic fixed income in this allocation segment.

Several members asked about the composition and level of concentration in holdings for the international equity funds, noting that when reviewed a few months ago, there was significant exposure to Chinese Internet companies. Mr. Burns responded that he believed that concentration has been scaled back in recent months, but that he would be getting an internal update on these funds shortly, and would share that information with the Commission.

Mr. Burns also reviewed Vanguard's market returns projections, reporting that Vanguard's view of historically lower returns but somewhat increased volatility over the next 3-5 year horizon has not changed significantly since his last update to the Commission.

Mr. Burns presented an analysis that Vanguard prepared in response to the Commission's question of how a change to a larger equity allocation might play out, given Vanguard's capital market forecasts. The 5- and 10-year projections show only small increases in expected return, with a corresponding increase in expected volatility of results. The 30-year projection shows a larger effect, but again with an increase in expected return volatility. Mr. Burns stated that Vanguard does not recommend making a major change to higher equity allocations at this time, given these projections and their outlook. Several members commented that Vanguard's projections seem low relative to longer-term historical results, and suggested the Commission might look at some additional sources to compare with these estimates.

In response to a question, Mr. Burns stated that Vanguard feels they have reasonable flexibility to make adjustments in portfolio allocations toward a higher equity share under the current policy guidelines, if a market correction presented a good opportunity.

The Vanguard representatives left the meeting at 7:55 at the conclusion of their presentation and the discussion.

There was some further discussion of the Vanguard market expectations. Several members indicated they would check with other sources available to them to provide alternative views of market returns for the 5 to 10 year forward period. There was also a discussion of looking at the last actuarial valuation report to get statistics on the average duration of liabilities for the pension plan, as a basis to guide the selection of an evaluation timeframe.

Mr. Carroll left the meeting at 8:10 following completion of discussion on the Vanguard material.

2. Upon motion and second, the minutes of the Commission's March 19, 2018 meeting were approved.
3. Mr. Christiansen indicated that he plans to reschedule the June meeting due to scheduling conflicts. There was some discussion of the need for a June meeting, or of using the time to work on some of the governance material under development. Mr. Christiansen suggested that the need for and timing of a June meeting be decided at the regular May meeting.
4. Mr. Christiansen presented an invoice from TR Paul covering benefit calculations, check-writing fees, and some follow up actuarial work. Upon motion and second, the invoice was approved for payment.

Mr. Christiansen reported on his follow up discussions with Cohen and Wolf on their requested increase in fees for the work they have been doing on the plan document revisions, as discussed at the previous meeting. Following Mr. Christiansen's questioning of the increase, Cohen and Wolf have offered a compromise proposal, that is somewhat higher than the original, but also capped and below the new higher billing amount they had requested. After discussion of the expected work involved, the members agreed that the new proposal seemed reasonable, but indicated they would still like to see the detail of the time billed before approving any invoices.

5. Mr. Christiansen reported that the idea of linking benefit option factor parameters to the major assumptions used in the annual actuarial valuation had been discussed with the consulting actuary and Laurie Fernandez of the Town, and both agreed with idea.

This approach will now be reviewed by counsel and then incorporated into the affected pension plan documents as they are being revised for other updates.

6. Mr. Rettger reported that the fiduciary liability insurance policy covering the Commission has been submitted for a renewal quote at the \$5 million limit adopted by the Commission last year. We are awaiting the quote for the premium for the coming year.

Mr. Rettger also reported on discussions he and Mr. Christiansen have had with Vanguard to review Vanguard's processing controls for money movements out of the trust funds. There are a few areas where we have asked for changes in the controls, such as requiring two signatures for non-standard transfer requests, such as moving money to a new bank account. We are awaiting Vanguard's response on this request.

Mr. Christiansen circulated an exhibit from the OPEB actuary, providing a longer timeframe projection of funding levels, as had been requested at the February meeting when the actuary's report was discussed. The analysis appears to support the expectation that the OPEB trust fund can achieve the level of funding desired by the Town if all actuarial assumptions are met and the Town and BOE continue to fund the actuarially determined employer contribution over time.

7. Mr. Rettger provided an update on the work being done on the various governance related documents supporting the pension and OPEB plans. Mr. Christiansen and Mr. Rettger met with the Town Charter Revision Commission to present the amendments adopted by the Pension Commission at its March meeting, and the proposed amendments were accepted with some minor changes. Members have received proposals for changes to the Code of Ordinances and to the current OPEB Trust Agreement, and are requested to circulate their questions and comments among the other members. Once these are finalized, corresponding changes can be developed for the pension trust agreement and the various plan documents. The changes will need to be reviewed with First Selectman Marconi and by Cohen and Wolf before being presented to the Board of Selectmen for consideration.

Mr. Christiansen proposed having a working group of himself, Mr. Rettger, Mr. Stoveken and Mr. de Pinho to review the feedback and develop a final version for discussion by the full Commission at a future meeting. The members agreed with this suggested approach.

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

Submitted as approved with the concurrence of the Commission members

Michael Rettger, Secretary
May 21, 2018