

Ridgefield Pension Commission
Minutes of the Meeting of May 21, 2018 [FINAL]

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, Jim Stoveken, Chris St. Victor de Pinho

MEMBERS ABSENT: Mr. Chris Sierakowski

OTHERS PRESENT: None

1. Upon motion and second, the minutes of the Commission's April 23, 2018 meeting were approved. Mr. de Pinho abstained.
2. Mr. Christiansen reported the only invoice for consideration was the billing for the renewal of the Commission's fiduciary liability policy. Mr. Rettger reported that the renewal premium for the same \$5 million limit that was placed last year was \$15,016, an increase of \$581, or about 4%, over the prior policy. He reported that the insurance broker has also obtained a quote for an additional \$5 million of limit, as the members had requested last year. This higher limit would cost about \$4000 more than the existing limit of coverage. After discussion of several questions about the nature and scope of coverage, the members agreed that the existing coverage limit seemed adequate.

VOTING ACTION: Upon motion and second, the renewal of the fiduciary liability policy for a coverage limit of \$5 million was approved.

3. Mr. Christiansen suggested that the change in the policy for assumptions used in calculating actuarial equivalence, as discussed at the last meeting, be implemented in conjunction with the revisions and adoption of new pension plan documents. The members agreed with this suggestion. In response to a question, Mr. Christiansen confirmed that the new assumptions under the planned new policy would actually take effect at the start of a plan year, at the suggestion of the consulting actuary.
4. Following up on an item from the prior meeting, Mr. Christiansen reported that he had worked with the consulting pension actuary, and had developed an estimate of average duration for the combined pension plans of approximately 11 years. The members discussed the contrasts in usage of this value for a planning time horizon versus using a longer 25- or 30-year period. It was noted that average duration is typically used in managing asset/liability matching strategies for the fixed income portion of a portfolio, and may not be directly relevant when managing equity and other portions of the portfolio. Mr. Christiansen noted that it would be reasonable to expect a 65 year old retiree to survive on average something like 22 years, which would support looking to a

longer time horizon, and that this information should be available from the actuary. The members agreed that both were useful indicators and should be monitored from time to time in future policy planning.

5. Mr. Christiansen circulated some summary materials regarding the capital market outlook for Vanguard and some other comparable sources. He reported that in conversations with Vanguard, Vanguard was hearing similar feedback to ours after the last meeting concerning the return estimates that Vanguard had provided at the last meeting. Also, as their estimates had been developed as of year-end 2017, Vanguard expected that their next update after April may be higher, reflecting the market results in Q1 2018. The members agreed that we should continue to monitor the results forecasts over coming months.
6. Mr. Christiansen and Mr. Rettger led a discussion of the proposed changes to the Town Ordinances concerning the Commission and the OPEB Trust Agreement, which had been circulated prior to the meeting. It was noted that most of the members' questions and suggestions had been incorporated into the current drafts, and many of the comments were reviewed specifically in the discussion. It was also noted that the goal of the discussion was not to adopt amended documents, but rather to agree that the drafts were far enough along in development to provide them to Cohen and Wolf for their review and feedback.

Several questions were raised about specific wording, and whether the proposed changes were consistent with state law. It was agreed that these questions should be presented to Cohen and Wolf for their advice. Of particular concern was that wording in the existing trust agreements that would appear to give authority for commission members to take trust-related actions individually, rather than as the result of a discussion and majority vote of a full quorum of members. The members expressed agreement that it was the Commission's intent that it always act collectively as a body. It was also asked that Cohen and Wolf confirm whether the reference to "Town" in the documents were sufficiently clear as to authority, or if these needed further definition or statutory reference.

Mr. Christiansen indicated that he would provide the drafts along with the list of questions to Cohen and Wolf, and circulate the responses to the members, for discussion and subsequent consideration at an upcoming meeting.

Mr. Christiansen also reviewed the plan for completing work on the various governance documents, after the above next steps. He asked whether members felt there was still a need for a Plan Administrator Agreement, as originally contemplated in our planning. It was agreed that some type of formal documentation of responsibilities be created, either an agreement or perhaps specific wording in the job descriptions of the town employees who might be assigned this PA role.

7. Mr. Rettger reported on discussions he and Mr. Christiansen have had with Vanguard regarding their internal controls around transaction processing. Vanguard requires all transfer instructions to be in writing and to be signed by one of the three authorized members of the Commission. They can accept a standard of one or two signatures for any instruction, but are not set up to have a variable model, of one signature for some and two signatures for other instructions. Vanguard does have a requirement that all transfers to a new bank account (even with an existing bank) be confirmed by telephone. Mr. Rettger reported that Vanguard has agreed to a guideline that when doing this confirmation, they will contact one of the authorized signers other than the person initiating the transaction, in effect requiring two persons to be involved.

The members discussed that this was a somewhat stronger control than the current policy, under which Vanguard could do the confirmation with the same person as had initiated the transaction.

Members suggested that we ask Vanguard for copies of their internal controls certifications from their auditors, such as the SSAE 16. Mr. Christiansen will follow up with Vanguard and report findings to the members.

8. Mr. Hayes reviewed portfolio results for April. He reported that portfolio returns are in line with benchmarks for this period.
9. Mr. Christiansen indicated that we need to change the date of the June meeting due to several conflicts. It was agreed to change the date to June 25, and to consider cancelling this meeting if we don't have responses back from Cohen and Wolf to discuss.

Upon motion and second, the meeting was adjourned at 8:25 p.m.

Submitted as approved by the Commission members at the July 23, 2018 Meeting

Michael Rettger, Secretary
July 24, 2018