

**Ridgefield Pension Commission
Minutes of the Meeting of September 11, 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, Jim Stoveken, Chris St. Victor de Pinho, Chris Sierakowski

MEMBERS ABSENT: None

OTHERS PRESENT: None

1. Mr. Rettger reported that he had shared the minutes of the July meeting with Bill Burns of Vanguard, who had requested a clarification to one of the points in the summary of their presentation. Upon motion and second, the minutes of the Commission's July 23, 2018 meeting, with the above requested change, were approved.
2. Mr. Christiansen presented and reviewed two invoices from Cohen and Wolf. One was for their work on the revision to the Town ordinances concerning the Commission and on the OPEB Trust agreement. He indicated that the work on these two documents was now substantially complete. The second invoice was for a review of a benefit calculation requested by Laurie Fernandez due to special circumstances involved in the determination.

VOTING ACTION: Upon motion and second, the invoices from Cohen and Wolf were approved for payment as presented.

3. Mr. Stoveken commented that in his review of the bank statements that Mr. Christiansen has distributed prior to the meeting, he noticed different interest rates between the two Union Bank accounts, and wondered why they would not be the same. Mr. Christiansen indicated he would look into the question and report back at the next meeting.
4. Mr. Christiansen updated the members on several administrative items from the past month:
 - a. The Town's annual appropriations for the pension plans and the OPEB plan were received as expected, and have been forwarded to the Vanguard account.
 - b. The Vanguard Trust agreement has now been terminated following the Commission's action at the last meeting. The next billing from Vanguard will reflect the elimination of this operational cost going forward.
 - c. There has been a change in the handling of the periodic employee contributions to the pension plans. Previously the process involved manual

checks which needed to be deposited in the Trust account, then wired to Vanguard. The BOE has now implemented a process where these employee contributions are being transferred electronically directly to the Vanguard account. The Town employee contributions will also be done in this manner, but not until the completion of the transition of the Town's payroll processing to ADP, that is currently underway.

5. Mr. Christiansen reported that the recent retirement of the Town Clerk at the end of August surfaced a shortcoming in the details of the Money Purchase Plan document. The document describes cash-out procedures assuming an eligible employee retires at the end of a Town fiscal year, but is silent on the procedure for crediting accrued interest if the employee retires at another time in the year unless employee has given substantial advance notice of intent to retire. In this current case, it was agreed to follow the precedent of the last mid-year retirement from this plan, where the employee was credited with a money market return for the several months after the end of the fiscal year until their money was paid over. Mr. Christiansen indicated that he will see that this detail is addressed when the Money Purchase Plan document is re-written as part of the current update initiative.
6. Mr. Christiansen updated the members on his research into the use of Vanguard as the paying agent for Town pension checks, to replace the current TR Paul contract. He reported that as he had summarized in the material distributed prior to the meeting, he had spoken extensively to two present Vanguard clients, both of whom expressed strong satisfaction with the Vanguard service. He also reviewed his discussions with Laurie Fernandez, Town HR director, who was agreeable to making this change based on Mr. Christiansen's findings. Mr. Christiansen reported that the costs of the Vanguard service would be approximately 45% less than the present contract with TR Paul, with no apparent loss of service or quality. The members discussed the timing of making any change, and agreed that doing this at calendar year end would provide adequate notice under the present contract and would also be easiest for both employees and the vendors involved, from a record-keeping perspective.

VOTING ACTION: Upon motion and second, Mr. Christiansen was authorized to provide notice to TR Paul to terminate the present paying agent contract, and to contract with Vanguard as the successor paying agent, with both changes to be effective January 1, 2019.

7. The members reviewed materials distributed before the meeting providing details of the assumptions to be used for the annual actuarial review of the pension trust. Mr. Christiansen indicated that the actuary will be updating his analysis of the expected rate of wage increase assumed. He also reported that the Society of Actuaries is developing an updated mortality table for use with public pension plans, but that will not be available in time for this year's analysis. He proposed that the expense assumption be in line with the prior year, plus the addition of \$20,000

for the remaining legal fees associated with the plan document update project.

The members discussed the information from the Wilshire NCPERS study that had been distributed prior to the meeting, regarding the rate of return assumption being used by municipal pension plans in the US. Mr. Christiansen noted that the report shows a portion of the plans using a very low rate, around 4%. He reported that in most cases, these are plans that are substantially underfunded, and under accounting rules are required to use a risk-free rate of return in their analysis, and thus are not really comparable to the other plans in this analysis. It was observed that even including these outlier cases, the 6.75% rate in use by the Ridgefield plan falls in the lowest quartile of the data, indicating we are being fairly conservative in this assumption relative to other plans. After further discussion, the members agreed that the actuary should continue to use a base case assumption of a 6.75% rate, but to also provide indications of the effects of changing to a 6.50% rate (as well as estimating the effect of a 6.625% rate if not a lot of extra effort.)

The members discussed other assumptions planned for use in the analysis and agreed that these seemed appropriate.

8. The members discussed ideas for possible changes to the existing asset allocation policy, based on the information received from Vanguard at the prior meeting. The focus on the discussion was to consider options that would be expected to provide the trust with better long term returns without taking on undue risk of volatility. Several ideas were discussed, including shifting 3 point of allocation from REITS to equities, shifting 3 points of allocation from fixed income to equities, and shifting 2 points each from REITS and TIPS to equities. The last change would bring the trust's equity allocation to 60% of the portfolio, which seemed in line with but still less aggressive than the asset policies chosen by most other municipal plans. Mr. Hayes agreed to discuss these options with Vanguard, communicating that the members were leaning toward the 2 points from REITS/2 points from TIPS option, and report on his discussions at the next meeting.
9. Mr. Christiansen discussed the final version of the proposed changes to Town ordinances concerning the Commission, as had been distributed prior to the meeting (attached herein as Exhibit A). He reported that the question of the town meeting provision in the current ordinance (Section 19-16) had been discussed with the town attorney, and they agree that this section should be dropped as not being an appropriate application of that governance process in this circumstance. The Board of Selectmen has put this proposal on the agenda of its September 25 meeting for consideration.
10. Mr. Christiansen reported that the work on the update of the OPEB Trust document is nearly done. There was two last topics identified by the review by the town attorney, that the agreement should contain some addition detail concerning the role of the Plan Administrator and of the benefit decision appeal process. Suggested

wording on these points has been drafted and submitted for their review. Mr. Christiansen hopes to have a final document for consideration by the Commission at its next meeting.

11. Mr. Christiansen reviewed the schedule of Commission's development projects for the balance of the year. He reported that he has been researching the question of the apparent differences in the data he has been provided by the OPEB actuary, the Board of Education, and the Town finance department regarding the OPEB "pay as you go" portion of the annual benefit budget allocation. He now has the actual amounts for the fiscal year ending June 30, 2018 from the BOE staff and the Town finance department, and has asked the actuary to compare his projections of the "pay as you go" costs to these numbers. If there is a material difference, the actuary is to determine the sources of the difference. Mr. Christiansen will present those findings at a future Pension Commission meeting when available.
12. It was agreed to move the date of the next Commission meeting to October 26 due to schedule conflicts.
13. Mr. Christiansen reported on a follow up item from the prior meeting concerning what information is provided by the Town to employees concerning the pension plan and their benefits. Laurie Fernandez indicates that each employee annually receives a statement showing their accrued benefit, a projection of their "at normal retirement" benefit assuming continued employment to their normal retirement date, and the amount the participant has contributed to the plan. As employees approach retirement age, they can also ask Town HR to provide a more specific estimate of the benefit, including the benefit amounts under the "joint and several" payment options.

Upon motion and second, the meeting was adjourned at 8:10 p.m.

Submitted as approved at the Commission's October 29, 2018 Meeting
Michael Rettger, Secretary

Minutes of the Pension Commission Meeting of Sept 11, 2018 Exhibit A

Notice is hereby given that a Public Hearing and Special Town Meeting will be held on _____, XX, 2018 7:30 PM, Town Large Conference Room, 400 Main Street, Ridgefield Connecticut to consider the following changes in Ridgefield Code under Chapter 19. Boards, Commissions and Committees. Underline and bold italics represents addition to existing language; brackets and strikethrough {~~strikethrough~~} indicates deletion of text.

Article II: Pension Commission

§ 19-3. Establishment.

There is hereby established a Pension Commission for the Town to be known as the "Ridgefield Pension Commission."

§ 19-4. Composition; ***appointment; terms of office.***

The Pension Commission created by this article shall consist of seven {resident electors} ***Commissioners, each of whom is a resident of Ridgefield.***

The members of the Pension Commission shall be appointed by the Board of Selectmen for staggered terms of service each beginning June 1, such that the regular terms of no more than three members shall conclude in any Town fiscal year. Each member shall serve for a term of three years. Upon written resignation of a member, or upon removal of a member by the Board of Selectmen, the Board of Selectmen shall select and appoint a successor who shall serve for the balance of the original member's regular term.

Commented [CC1]: No change to concept, but substantial changes to prior language including correction of the term start date. Also previous articles 19-4 and 19-5 have been merged into one.

~~{§ 19-5 Appointments; terms of office.}~~

~~The members of the Pension Commission shall be appointed by the Board of Selectmen as follows: two for a term of one year, two for a term of two years and three for a term of three years; thereafter each shall serve for a term of three years and until his successor shall have been appointed and qualified. Appointments to the Pension Commission shall be made effective July 1 each year. }~~

Commented [CC2]: Combined with Article 19-4

Commented [CC3]: The Town Charter says June 1st. New Article 19-4 now agrees with the Charter.

§ 19-~~{6}~~5. Minority representation.

No more than five members of the Pension Commission shall be from the same political party.

§ 19-~~{7}~~6. Oath required.

Each member of the Pension Commission shall be sworn to the faithful performance of his duties.

§ 19-~~{8}~~7. Officers.

The Pension Commission shall ~~{annually in July}~~ elect a Chairman and a Secretary from its members **annually in July, or if no meeting is held in July, at the next subsequent meeting.**

Commented [CC4]: No change in substance. Minor change to existing language regarding election of officers. Selection of officers may be done in July or later, so as to not mandate a July meeting

~~{§ 19-9 Bond.}~~

~~If required by the Board of Selectmen, each member of the Pension Commission shall furnish a bond to the Town, the cost thereof to be paid by the Town.}~~

Commented [CC5]: Moved to article 19-11

§ 19-~~{10}~~8. Meetings and records.

The Pension Commission shall meet at least quarterly and shall keep written records of its meetings. A special meeting of the Pension

Commission may be called by the Chairman or a majority of the members at any time.

§ 19-~~{11}~~9. Quorum **and decision making.**

A majority of the Pension commission shall constitute a quorum.
Members may participate in commission meetings in person or by telephone. All formal actions by the Pension Commission shall require the approval of at least four members attending the meeting.

~~{§ 19-12 Annual report.~~

~~The Pension Commission shall annually report to the Board of Selectmen, which report shall be included in and published by the Selectmen in the Annual Report of the Town.}~~

~~{§ 19-13. Pension plan~~

~~The Pension Commission shall provide a pension plan for the appointed employees of the Town which may include, but not be limited to, annuity purchase guarantees and such other benefits and methods of funding which the trustees shall deem appropriate for the continuing operation of the pension plan. No employee now a member of the State Teachers' Retirement Fund shall be eligible to participate in the plan.}~~

§ 19-10. Pension and other post-employment benefit plan trusts.

The Board of Selectmen may establish pension plans and other post-retirement benefit plans for the benefit of Town employees and elected officials. The assets for each such plan shall be held in one or more trusts, annuity contracts, guaranteed investment contracts, or similar funding vehicles, pursuant to written agreements adopted by the Board of Selectmen.

Commented [CC6]: Language has been added to specify that members may participate in meetings by telephone as well as in person. A threshold of four members' approval has been established to take formal action.

Commented [CC7]: Covered in more detail in new Article 19-14

Commented [CC8]: Covered in new Article 19-10

No employee who is now an active participant in the State Teachers' Retirement Fund shall be eligible to participate concurrently in any defined benefit pension plans of the Town.

~~{§ 19-14 Authority to enter into agreements, invest funds and employ personnel.~~

~~The Pension Commission is authorized to enter into appropriate agreements with life insurance companies and banks for the purpose of providing such pension and annuities, to invest such funds as are appropriated to it as it deems most expedient, and, subject to appropriations made by the Board of Finance and the Town Meeting, to employ agents and other personnel.}~~

Commented [CC9]: New Articles 19-10 and 19-12 describe the responsibilities of the Commission.

Commented [CC10]: David Ulmer agreed with the new wording which does not mention the Board of Finance

§ 19-11. Pension Commission as Trustee for certain trusts; management and oversight

The Pension Commission shall serve collectively as Trustee of the trust(s) established by the Town to hold the assets of any defined benefit pension plans, any money purchase pension plans, and any other post-employment benefit (OPEB) plans for the municipal employees and elected officials of the Town. The Town may also, by ordinance or written resolution of the Board of Selectmen, assign to the Pension Commission responsibility for other pension plans and other retirement-related benefit plans.

Commented [CC11]: New Article 19-11 defines the role of the Pension Commission.

The Pension Commission shall be responsible for the management and oversight of those trust funds assigned to its purview under these ordinances, and is authorized to engage in all powers and authorities for the management and administration of those trust funds as may be provided in the trust agreements establishing such trusts.

If required by the Board of Selectmen or by the terms of any underlying benefit plans under its purview, the members of the

Pension Commission shall be covered by a bond or equivalent insurance to the benefit of the Town in a coverage amount of at least \$5 million or 10% of aggregate trust assets under its control, whichever is smaller, the cost thereof to be paid by the Town.

§ 19-12. Other contractual arrangements.

The Town may also engage trust companies, banks, and other authorized financial institutions to provide and manage defined-contribution pension plans or such other employee benefit plans as may be established by the Town. The Pension Commission shall have no authority or responsibility for such plans.

Commented [CC12]: New Article 19-12 specifies for which plans the Commission does NOT have responsibilities.

§ 19-13. Disbursement of funds *appropriated and contributed to the trusts.*

All funds appropriated by the Town for **the pension {purposes} and the OPEB plan trusts, and all funds contributed by participants to such plans,** shall be disbursed, **as directed by the Pension Commission, in a timely manner,** by the Treasurer ~~{upon written direction and order of the Chairman and Secretary of the Commission.}~~

Commented [CC13]: New Article 19-13 amends current Article 19-15 to include both pension and OPEB trusts and to recognize that employees make contributions too. Direction must be given by the entire Commission – not just the Chairman and Secretary.

§ 19-14. Annual Reports and Audits.

The Pension Commission **shall provide an annual accounting of the financial activity of each trust under its control, summarizing the asset holdings and values, estimated liabilities, receipts, investment income, benefit payments and other disbursements, in such detail and on such time schedule as is required to support**

Commented [CC14]: Provides more detail about what the Commission will provide than old Article 19-12

the production of the Town's regular financial reports. The Pension Commission may, at its discretion, retain third-party providers to produce any or all such accountings, and any costs incurred in producing these accountings shall be charged to the appropriate trust. The Pension Commission shall also periodically obtain and review actuarial valuations of each trust, as are appropriate for their prudent financial management and the timely determination of Town funding levels. The Pension Commission shall participate as needed in any audits authorized by the Town, for the production of the audited financial reports by the Town.

§ 19-15. Plan administrators.

The Board of Selectmen shall designate one or more plan administrators for each plan requiring such a role in its corresponding trust agreement, and shall notify the Pension Commission in writing of each such designation, including any changes in such designations as may occur over time.

{§ 19-16. Amending Trust Agreement.

~~The Selectmen of the Town are hereby authorized to modify or amend, on behalf of the Town, a certain trust agreement dated May 21, 1964, between the Town as employer and the Pension Commission as trustees, in accordance with the following procedure:~~

~~A. At least 30 days prior to the adoption of such modification or amendment, the Selectmen shall deliver to the Pension Commission notice of their intention to make such modification or amendment.~~

~~B. After the expiration of such thirty-day period but not later than 45 days thereafter, the Selectmen shall have the power to make such modification or amendment in accordance with the terms of Article~~

Commented [CC15]: New Article to have a Plan Administrator (PA) named by the BOS for both pension and OPEB. If PA not named, then BOS is the PA

Commented [CC16]: Cohen & Wolf agrees that this section is not needed. The trust agreement itself describes how the trust agreement may be amended.

~~X, § 10.01 of the trust agreement. Such modification or amendment shall become effective 30 days after such modification or amendment has been published in a newspaper having a circulation in the Town.~~

~~C. If, within 30 days after publication of such modification or amendment, the Selectmen shall receive an application in accordance with § 3-6 of the Town Charter for the purpose of repealing, in whole or in part, such modification or amendment, then such modification or amendment shall not become effective at the expiration of such thirty-day period, but such modification or amendment, or so much thereof as is not repealed by the Town Meeting called in accordance with this subsection, shall become effective immediately upon the adjournment of such Town Meeting. [Amended 3-17-2010]]~~