

Ridgefield Pension Commission
Minutes of the Meeting of June 17, 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, Tom Hayes, Jim Stoveken, Chris Sierakowski, Chris de Pinho (by telephone)

MEMBERS ABSENT: None

OTHERS PRESENT: None

1. Upon motion and second, the minutes of the Commission's May 20, 2019 meeting were approved. Mr. de Pinho abstained.
2. Mr. Christiansen distributed for review an invoice from Vanguard for their quarterly management and advisory fee billing.
3. Mr. Christiansen led a discussion of the Commission's response to the communications from the Ridgefield School District administration regarding the amendments to the OPEB Trust, and to the subsequent meeting with representatives of RSD, First Selectman Marconi and Laurie Fernandez. Mr. Christiansen had previously circulated a proposed response letter as well as proposed changes to the draft OPEB Trust language, that are intended to clarify the Trust's possible use of certain investments that had been questioned in the discussions. Members asked for clarification about the request coming from the meeting, regarding the Trust's ability to use certain types of investments, including real estate, mortgages, options and derivatives. Mr. Rettger reported that the rationale for the request had seemed to be based more on the individuals' general opinion of the "riskiness" of those instruments or their lack of familiarity with some of the investments, rather than any specific technical rationale or prior investment experience with such securities. Members questioned whether it would be appropriate to agree to limit the investment options of the trust, based on just general opinion. It was felt that while the trust does not currently invest in many of the securities permitted by state law and referenced in the trust agreement, and while the trustees have no plans to do otherwise, it would not be appropriate to limit the future flexibility of the trust for the stated reasons. It was also noted that notwithstanding the range of investments that is provided by state law and by the trust language, the trustees remain bound by the "prudent investor" standard of state law and the trust, as well as by their fiduciary roles, to act prudently in the best interests of the trust beneficiaries when analyzing and selecting investments for the trust. That role is aided by the use of Vanguard as investment advisor, which also has duties of prudence and a fiduciary role.

Mr. de Pinho left the meeting at 7:45.

The members discussed the proposed change to Section 7(o) of the trust agreement, concerning potential use of various derivative type securities. It was felt that the proposed language included terms that were not well defined and could be misinterpreted in some circumstances. There was agreement that the language should focus on the intended uses of such securities if included in the

portfolio, with the following language below being offered. It was also agreed that the removal of hedge funds as a permissible investment in the proposed language should be reversed.

(o) To engage in the use of options, futures, and other forms of financial derivatives across asset classes, provided that such investments shall be used primarily for the purposes of risk mitigation and efficient management of asset exposure.

It was agreed to provide the new OPEB trust amendments, including subsection (o) as modified above, to Cohen and Wolf for their review and comment. As part of the request, Cohen and Wolf will be asked for their opinion of keeping Sections 6 and 7 of the agreement in their current “detailed” form versus using a more generalized approach of referencing current state statutes as to permissible investments. The response from Cohen and Wolf will be reported at the next meeting for further discussion by the members.

4. Mr. Christiansen asked for members to check their calendars and confirm their expected attendance for the scheduled July 15 meeting of the Commission. He reported that Brian Binkley of Vanguard is scheduled to participate in the meeting, to review the trusts’ second quarter performance and to comment on the fixed income portion of the portfolios.
5. Mr. Christiansen reported that he has received comments on the Firefighters’ Plan document from Laurie Fernandez. He will be meeting to review the comments with Mr. Rettger, and then asking Cohen and Wolf and the plan actuary to review the resulting revised draft. He expects to then schedule a discussion of the revised draft with the full Commission at a future meeting.
6. Mr. Christiansen led a review of assumptions to be used in the annual pension and OPEB valuation analyses for the coming fiscal year. He reviewed the assumption summary document he had distributed prior to the meeting, highlighting several items where we will be asking the actuaries to review and validate the assumptions against current experience data. Mr. Christiansen noted that the major assumption to be reviewed was the long term annual asset return assumption. This value is currently 6.75%, but the Commission had agreed to use a value of 6.625% for the 2018-2019 valuation analysis given information at that time.

The members discussed the long term projections for portfolio returns that had been provided by Vanguard from their capital markets model over the past year, as well as the reduction in portfolio management fees that will result from the Commission’s decisions regarding asset mix and active/passive fund mix over the past year. After further discussion, there was a consensus that the long-term return assumption for the plans should be reduced to the lower value that had been used in the analysis last year, based on recent market performance, current asset allocation strategy, and the long term forecasts from Vanguard.

VOTING ACTION: Upon motion and second, it was approved to change the modeling assumption for long term portfolio return from 6.75% to 6.625%, and to use this lower value for the upcoming 2019-2020 valuation analyses for the pension and OPEB trusts

7. Mr. Christiansen updated the members on several administrative items since the last meeting:
 - Laurie Fernandez is getting questions from retirees on benefit payment processing. Mr.

Christiansen will draft a letter for her to send to people with inquiries, providing them with the contact information at Vanguard pension administration.

- The implementation of the new checking accounts at Vanguard is in progress, and Mr. Christiansen still expects that the current Union Savings Bank accounts can be closed by the end of June.
- The process of providing information on new retirees to Vanguard is lengthy and very structured. Mr. Christiansen is working with Laurie Fernandez to agree with Vanguard on a method of providing the needed set-up data to Vanguard that is less time consuming for town staff.
- Mr. Christiansen was recently contacted by the actuarial firm of Milliman and Robertson about their pension administration system. He has questions about how long the current plan actuary might continue his practice, and will look into the M&R product as part of a longer term contingency plan. He also reported that the work previously authorized, to have the current plan actuary develop a data and calculations procedures manual, will be started this summer.
- As a follow up to an item from earlier meetings regarding terminated employees with vested accrued plan balances, the BOE recently attempted to contact 43 prior employees whom they had identified. The response has been low. Many of the letters have been returned as undeliverable, and many others have not responded to the initial mailing. Most of the people who were provided instructions on how to request their balances have not filed a claim.

The next meeting of the Commission will be Monday, July 15 at 7 pm.

Upon motion and second, the meeting was adjourned at 8:15 p.m.

Submitted in draft with the concurrence of the Commission members
Michael Rettger, Secretary
June 19, 2019