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**TOWN OF STONINGTON
RETIREMENT BOARD
July 14, 2016**

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The Stonington Retirement Board held a special meeting on this date at 9:00 a.m., at the Stonington Police Department. Board members present were: Vincent A. Pacileo III, Chairman; Bill King, Timothy O'Brien and Terry Stefanski. Also in attendance were Attorney Bruce Barth, the Town's pension attorney; James Sullivan, Finance Director; and June Strunk, Board of Finance.

The meeting was called to order at 9:02 a.m.

Discussion/Decision on Vendor for Oversight and Consulting Services for the Town's 401A and 457 Plans:

The Retirement Board held a special meeting to continue the discussion of oversight of the Town's 401A & 457 Plans, as recommended by Bruce Barth, the Town's pension attorney. Concern was raised that the Town may be paying for some duplicate services that the two vendors should currently be providing. Attorney Barth attended the meeting to discuss his recommendation and answer questions that the Board may have. Attorney Barth disclosed to the Board that his firm uses one of the two Advisors who submitted a proposal. Attorney Barth stated that he represents plan sponsors. ERISA is the guiding factor in non-governmental world; however, ERISA guidelines are also generally followed in the public sector. The trend over the past 5 years has been for plan sponsors to hire an independent advisor since litigation by plan participants have been on the rise, especially fees litigation. Currently, the Town does not retain an independent advisor to oversee VOYA and Nationwide, the 401A vendor and the optional 457 plan vendor. Plan participants are responsible for selecting and investing their funds in investment options in the fund menus of those plans. The Town has selected the fund menus and has a fiduciary duty to ensure that the investment options are prudently selected and monitored. The selection and monitoring of funds is an important and complicated fiduciary duty. Therefore, Attorney Barth confirmed his recommendation that the Town hire an advisor to provide this oversight. He stated that the costs of hiring the investment advisor are an expense that can be paid from plan assets.

Ms. Strunk asked for clarification on who provides the investment review for the Town's portfolio. When she was a member of the Retirement Board, the Town had bundled services with Bank of America. They came in twice per year and provided an investment review and made recommendations on fund changes. After she resigned from the Retirement Board, the Town unbundled the pension services. FIA was hired as the Town's investment advisor for the Stonington Retirement Plan (defined benefit). Bank of America remained as the custodial bank for a short time. Wells Fargo became the custodial bank as the result of an RFP for custodial services. A discussion ensued regarding the need for oversight; paying the advisor from plan assets; the background of the two advisors who submitted proposals; and the expressed opinion that both VOYA and Nationwide should be meeting with the Retirement Board at least once per year to review fund performance and make recommendations on the fund menu. Attorney Barth stressed several times that an independent advisor must be hired to review both plans' fund

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menus because both VOYA and Nationwide have an inherent conflict of interest and should not be solely making fund recommendations. Mr. O'Brien asked if Hooker & Holcombe and FIA are independent advisors. Attorney Barth stated that both are paid a fixed fee by the plan sponsor for their advisory services, to ensure their independence. The advisor the Town selects will not receive compensation from either VOYA or Nationwide.

Mr. Sullivan stated that Hooker & Holcombe is the Town's actuarial firm for the Stonington Retirement Plan (defined benefit). He stated that they should remain the actuarial firm only and not also provide investment advice. He prefers separation of duties.

The fee for each proposal is \$15,000. It was noted, however, that Hooker & Holcombe's proposal requires a 3 year commitment with cost of living adjustments each year.

Since FIA is the investment advisor for the Town's defined benefit plan, it was the consensus of the Board that FIA should also oversee the 401A and 457 plans as well.

After the discussion, Mr. King made a motion that the Town hire Fiduciary Investment Advisors (FIA) as the advisor for the 401A and 457 Plans. Mr. Pacileo seconded and it passed unanimously. The Board agreed that FIA should attend a future meeting, along with Attorney Barth, to discuss their proposal and next steps.

Approval of June 15, 2016 Minutes:

Mr. O'Brien made a motion to approve the Minutes as submitted. Mr. King seconded the motion and it was unanimously voted.

There being no further business to come before the Board, Mr. O'Brien made a motion to adjourn and Mr. King seconded. The meeting was adjourned 10:20 a.m.

Respectfully submitted,

Vincent A. Pacileo, III
Chairman

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