

**TOWN OF STONINGTON
RETIREMENT BOARD
December 1, 2015**

The Stonington Retirement Board held a special meeting on this date at 9:00 a.m., at the Stonington Town Hall. Board members present were: Vincent A. Pacileo III, Chairman; Bill King; and Tim O'Brien. Also in attendance were Robert Simmons, First Selectman; Jim Sullivan, the Town's Finance Director; Devon Francis and Tyler Polk, representing Fiduciary Investment Advisors (FIA); and Evan Woollacott, Jr. from Hooker & Holcombe, Inc.

Mr. Pacileo called to order at 9:00 a.m.

Review of Actuarial Valuation 07/01/2015:

Mr. Woollacott reviewed the Actuarial Valuation 07/01/2015 and the assumptions used for the Valuation. He also briefly reviewed the Governmental Accounting Standards Board (GASB) and 67, 68 Disclosure Reporting as of June 30, 2015. Both reports are on file in the Dept. of Administrative Services.

Mr. Woollacott made the following assumption change lowering the Investment Return from 7.50% to 6.75%. He indicated that the GASB report justifies 6.64% rate of return, however, the difference in basis points is minimal. Ms. Francis confirmed that this rate of return is good. The Town is in much better shape than most towns, which are using higher returns and cannot achieve those returns. Mr. Woollacott stated that the average return rate for municipalities is 7.8% and the funding level 80%.

Mr. Woollacott indicated that the FY2016-2017 employer contributions have dropped from 11.2% to 10.5% of expected Payroll. There is a new mortality 2014 study, but there is no municipal experience in it. Therefore, Mr. Woollacott used the 2000 mortality table. He stated that Hooker & Holcombe is doing its own municipal mortality study. Mr. Woollacott stated that the portfolio did better than expected. The plan is now closed lowering the future cost. For those reasons, the Plan is 91% funded, up from 87% last year. However, the Town has to fund both the existing Plan and the new 401A Plan. Mr. Woollacott stated that the Town has an 80% minimum funding policy and is committed to making an additional appropriation over three years if needed to maintain the minimum. Mr. Woollacott stated that the Town utilizes a smoothing method over five years for asset gains and losses. The Town's smoothing method uses the actuarial value only. He prefers a smoothing method that uses both actuarial and market value.

Mr. Simmons questioned the demographics of Town employees in the plan and how aging employees retiring will affect the funding of the plan. Mr. Woollacott stated that FIA should evaluate risk tolerance as plan participants age and move toward retirement.

Review of Fund Performance:

Ms. Francis reviewed the following reports:

- Quarterly Investment Review - Third Quarter 2015
- Performance as of October 31, 2015
- Updated Balances – November 27, 2015
- Investment Manager Review International Large Cap Blend. The reports are on file in the Department of Administrative Services. The Total Plan Performance Summary as of September 30, 2015, October 31, 2015 and November 27, 2015 are attached to the Minutes.

The Quarterly Investment Review included:

- Investment review
- Annual actuarial review, which was independent of Hooker & Holcombe's actuarial report and an Asset Allocation review
- Asset Allocation review
 - Benchmark Composition
 - Manager Performance Overview
 - Manager Scorecard
 - Market Value and Flow Summary from December 1979 – September 30, 2015
 - Risk vs. Return Analysis
 - Estimated Fee Analysis
 - Manager Evaluation

Ms. Francis stated that the market had a volatile quarter. There was much uncertainty with unsettled economic conditions overseas, China's slow growth, and the Feds not increasing interest rates.

The Portfolio matched the Blended Benchmark for the 3rd Qtr. 2015. It outperformed the benchmark 3 Years and 5 years; and underperformed the Blended Benchmark YTD, 1 year, 7 Years, 10 years, and since inception. The plan performance as of October 31, 2015 showed much improvement over the 3rd quarter.

While reviewing the Asset Allocation Analysis, Ms. Francis noted that FIA used 7 to 10 year assumptions, which showed an annualized return of 5.99. They added a long term 20 year assumption, which is closer to the Mr. Woollacott's 30 year assumption for the Valuation. The 20 year assumption showed an annualized return of 6.64%, which is close to and confirms the Town's current 6.75% rate of return.

Ms. Francis went over the Investment Manager Review, which provided the Board with four firms and its funds to replace Thornburg International Value Fund and the Thornburg International Equity Strategy which were terminated per FIA's recommendation in August 2014. The Thornburg sale proceeds were placed in the Vanguard Total International Stock Index Fund as a placeholder until FIA found a replacement. Ms. Francis stated that FIA would sell about ½ of Vanguard Total International Stock Index Fund. It was FIA's recommendation to replace the terminated Thornburg with Lazard International Equity Fund at a 7.5 % asset allocation target. After some discussion, Mr. Pacileo made a motion to accept FIA's recommendation to replace ½ of Vanguard Total International Stock with Lazard International Equity at a 7.5% target.

Regarding Mr. Simmon's concern raised earlier in the meeting about older employees retiring and the cost associated, Mr. Woollacott stated that the Board will have to determine the risk they are willing to take. The Town has a mature plan. The accrued liability of the working participants goes up, and the retiree's liability decreases. However, the Town's accrued liabilities have been similar from year to year, which is the sign of a mature plan. The Plan is in good shape now, but an analysis would be helpful to prevent an emergency in the future. Mr. Woollacott stated that he can send a projected benefits model to Ms. Francis for a risk assessment.

Old Business: None conducted.

New Business:

Board Membership: Mr. Pacileo expressed thanks to Frank Todisco for his service on the Retirement Board as the BOE representative. Mr. Pacileo stated that he looks forward to working with the new BOE representative.

Discussion of Oversight of 457, 401A Plans, OPEB Trusts: Mr. Pacileo stated that the Town does not currently conduct annual reviews of the 401A or 457 Plan. After a brief discussion with Bruce Barth, the Town's pension attorney, he recommended that the Town hire an advisor to review these plans as the Town is exposed to a potential liability if it does not demonstrate fiduciary responsibility over these plans. Mr. Polk stated that he works with municipalities who over the past several years have engaged FIA as advisors to evaluate fees, fund menu, services from record keeper, etc. After some discussion, it was the consensus of the Board to request a proposal from FIA for Morningstar as a standalone; Morningstar plus review, which is VOYA; and Nationwide.

Retirement Board Meeting Day: Mr. Pacileo stated that the Retirement Board needs to move their regular meetings from Tuesday since that Tuesday conflicts with weekly the First Selectman's organizational team meetings. After some discussion, it was the consensus of the Board to change its regular meetings to the first Wednesday in May and December and meet at the Police Department. The time will remain the same.

Approval of Minutes of the May, 2 2015 Minutes:

Mr. O'Brien moved to accept the Minutes of the May 5, 2015 meeting. Mr. Pacileo seconded. Mr. King abstained because he was not present at that meeting. The motion and second was so voted.

There being no further business to come before the Board, Mr. O'Brien made a motion to adjourn. Mr. King seconded and it was unanimously voted. The meeting adjourned at 10:45 a.m.

Respectfully submitted,



Vincent A. Pacileo, III
Chairman

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