

PENSION COMMISSION
City Conference Room
260 Constitution Plaza
Friday, February 24, 2012
10:30 a.m.

MINUTES

PENSION ADMINISTRATION

MEMBERS PRESENT: Peter Stevens, Chairman; Frank Lord; Gene Goldman; Marc Nelson, Employee Representative; Adam Cloud, Secretary

STAFF PRESENT: Donna Parker, Plan Administrator; Anne Coleman, Assistant Plan Administrator; Lisa Silvestri, Assistant Corporation Counsel; Gary Draghi, Director of Investments; P. Wayne Moore, Assistant Director of Investments; J. Sean Antoine, Acting Assistant Treasurer; Terry Williams, Senior Administrative Assistant

OTHERS PRESENT: Liz Churney and Ellen Kucenski, Hooker & Holcombe, MERF's Actuarial Consultant; Doug Moseley, NEPC, MERF's General Investment Consultant; Cynthia Steer, BNY Mellon; George Zoltowski, Office of Management and Budget, City of Hartford

Chairman Peter Stevens called the meeting to order at 10:40 a.m.

I. Minutes of the Meeting of January 25, 2012

There were no changes or corrections to the minutes as presented.

A motion was made, seconded and unanimously adopted to accept the minutes of the January 25, 2012 meeting.

II. Survivor Benefits

A motion was made, seconded and unanimously adopted to approve the following survivor benefits:

Carola, Nicolina, survivor of the late Samuel Carola, member of the Police Benefit Fund (PBF) who died January 29, 2012 (Survivor benefits under the MERF; Emp. #S093335 / 980228)

Effective Date:	February 1, 2012	
Annual Allowance:		\$ 8,849.40
Monthly Allowance:		737.45

III. Regular Retirements

A motion was made, seconded and unanimously adopted to approve the following regular retirement benefits:

		<u>AMOUNT</u>		
<u>Machol, Janet</u>				
Emp. # 461652 / 990422				
Union: Local 2221				
		Years	Months	Days
Term of Service (including Sick Exchange):		18	0	0
Sick Exchange:		0	0	0
Grounds:	Service			
Effective Date:	January 7, 2012			
Average Salary:	Highest 3 out of last 5 years			\$ 38,681.71
	Final Base Pay			35,696.00
Pension Allowed:	45.00 %			17,487.72
Monthly Payment:				1,457.31
<u>Papacostas, Dianne</u>				
Emp. # 556181 / 990421				
Union: Local 2221				
		Years	Months	Days
Term of Service (including Sick Exchange):		40	0	0
Sick Exchange:		0	0	0
Grounds:	Service			
Effective Date:	January 5, 2012			
Average Salary:	Highest 3 out of last 5 years			\$ 36,048.34
	Final Base Pay			32,924.00
Pension Allowed:	70.00 %			25,233.84
Monthly Payment:				2,102.82

III. Regular Retirements (continued)

AMOUNT

<u>Winch, Rosezina</u>				
Emp. # 944741 / 990423				
Union: Non-Union				
		Years	Months	Days
Term of Service (including Sick Exchange):		8	0	0
Sick Exchange:		0	0	0
Grounds:	Early			
Effective Date:	January 1, 2012			
Average Salary:	Highest 2 out of last 5 years			\$ 15,125.00
	Final Base Pay			15,000.00
Pension Allowed:				
Unreduced Pension:	20.00 %			\$ 3,024.96
Early Reduction Factor:	4.00 % for each year prior to age 60			4.00 %
Reduced Pension:				\$ 2,904.00
Monthly Payment:				242.00

IV. Terminated Vested – Requests to Vest Benefits

A motion was made, seconded and unanimously adopted to approve the following request to vest benefits:

AMOUNT

<u>Boucher, James</u>				
Emp. # 944740				
Union: Non-Union				
Date of Termination:	December 31, 2011			
Term of Service:	8 years			
Grounds:	Vested Service			
Normal Retirement Date:	May 25, 2017 (Age 60)			
Average Salary:	Highest 2 out of the last 5 years			\$ 15,125.00
	Final Base Pay			15,000.00
Pension Allowed:	20.00 %			3,024.96
Monthly Payment:				252.08

V. Employee Pension Contribution Adjustment

Chairman Stevens introduced the item. The Plan Administrator, Donna Parker explained that in October 2011 Ms. Moore-Johnson defaulted on her promissory note and as a result any employee contributions transferred from CMERS to the MERF were to be returned to her and the purchase irrevocably cancelled. Ms. Parker concluded by stating that Ms. Moore-Johnson had not made any payments toward the note and was aware of the default.

A motion was made, seconded and unanimously adopted to approve the following pension contribution adjustment:

Contributions Owed to the Employee

Moore-Johnson, Lorrie
Amount Due: \$ 5,185.47
Interest Due: 1,762.71

VI. Separations from Pension Payroll

The following separations from Pension Payroll were placed on file:

<u>EMPLOYEE NUMBER</u>	<u>NAME</u>	<u>DATE OF DEATH</u>	<u>PENSION AMOUNT</u>	<u>PENSION PLAN</u>
044598	Bibeault, Cecile	01/20/2012	\$ 178.93	MERF
047163	Birk, Margaret	01/27/2012	1,528.88	MERF
S050458	Bliss, Lillie	01/26/2012	928.61	MERF
078743	Burnette, J.D.	12/10/2011	2,312.60	MERF
093335	Carola, Samuel	01/29/2012	1,474.89	PBF
207225	Donnelly, William	01/07/2012	2,949.70	MERF
279102	Garry, Charles	01/22/2012	1,314.75	MERF
785415	Jenkins-Wright, Barbara	01/05/2012	1,460.54	MERF
400254	Kenney, Horace	11/19/2011	2,360.54	MERF
412724	Klein, Naomi	01/13/2012	1,401.46	MERF
S472298	Malave Sr., Santiago	01/05/2012	148.54	MERF
S484025	Martino, Louise	01/27/2012	759.92	FRF
549606	Nanni, Harriette	01/15/2012	2,720.44	MERF
S549630	Nanni, Harriette	01/15/2012	2,476.59	MERF

VI. Separations from Pension Payroll (continued)

The pension for the following individuals have been suspended due to the fact that at least two pension payments remain uncashed or were returned as undeliverable and the individuals have not responded to inquiries made by the Pension Unit as to their address and/or status.

<u>EMPLOYEE NUMBER</u>	<u>NAME</u>	<u>DATE OF REMOVAL</u>	<u>PENSION AMOUNT</u>	<u>PENSION PLAN</u>
317064	Hacia, Carol	02/01/2012	\$ 82.34	MERF
502600	McGuire, Alice	02/01/2012	558.09	MERF

VII. Request for Refunds of Pension Contributions

A motion was made, seconded and unanimously adopted to approve the following refunds of pension contributions:

<u>NAME</u>	<u>AMOUNT</u>
Blue, Alicia*	\$ 559.74
Cohen, Carmen	6,433.87
Hart, Joseph*	390.62
Maldonado, Shaira *	62.84
Marshall, Doreen	15,309.20
Pollicito, Anthony	1,215.82
Ramos, Elpidio *	864.90
Roberson, Maurice	5,583.59
Rodriguez, Monique	4,476.25
Sulima, Krystyna *	320.60

None of the above members is vested, or, if vested, he or she has been informed of, and has waived, his or her rights to a vested benefit in lieu of a contribution refund.

* Additional interest refund.

VIII. Service Purchases

Routine Service Purchases

Chairman Stevens introduced the item. The Plan Administrator stated that the following individuals have requested the purchase of additional pension service under the provisions of the Municipal Code of the City of Hartford, Article I, Division I, Section 2A-8.

The requests were accepted and placed on file.

<u>NAME</u>	<u>TYPE</u>	<u>AMOUNT</u>			<u>PURCHASE PRICE</u>
		<u>Years</u>	<u>Months</u>	<u>Days</u>	
Fonfara, James	Military	4	0	0	\$ 45,082.86
Smith, Antoine	CMERS	8	2	25	16,971.00

These individuals have completed their service purchases.

IX. Qualified Domestic Relations Order

Chairman Stevens introduced the item. The Plan Administrator reported that the Pension Unit had received one properly executed Qualified Domestic Relations Order (QDRO). The Plan Administrator recommended that the Commission approve the Order as presented.

A motion was made, seconded and unanimously adopted to approve the following QDRO, with assignments as indicated, subject to like reductions in the contribution and pension accounts of the plan member.

MERF

QDRO: 12-01

Entered into Court Records: February 3, 2012

Benefit Calculation Date: January 13, 2012

		<u>Percentage</u>	<u>Dollar Amount</u>
Benefit Assigned to Alternate Payee:	Monthly:	N/A	\$ 1,950.00
Pension Contributions Assigned:	Pre-Tax:	N/A	0.00
	Post-Tax:	N/A	0.00
	Interest:	N/A	0.00

Alternate Payee Retirement Date: March 1, 2012

X. Hardship Withdrawal Requests

Chairman Stevens introduced the item. The Plan Administrator, Donna Parker, stated that the Pension Unit had received one request for a hardship withdrawal from the Section 457 deferred compensation plan.

Application 12-01: Ms. Parker summarized the request by stating that the applicant had received an eviction notice on his principal residence. Ms. Parker went on to explain that eviction from a principal residence met the IRS guidelines for a Hardship Withdrawal, but The Hartford's Hardship Review Committee denied the request because the applicant did not have complete documentation. However, she continued, the Pension Commission's Review Committee approved the hardship after the applicant provided additional documentation and recommended that the Commission ratify the approval given by the Pension Commission's Review Committee.

A motion was made, seconded and adopted to ratify the approval for the hardship withdrawal request 12-01 as presented.

XI. Report on Preliminary Results of July 1, 2011 Actuarial Valuation and Five Year Experience Study

Chairman Stevens introduced the item. The Secretary, Adam Cloud, thanked Liz Churney, the MERF's actuary from Hooker & Holcombe, for her hard work in order to complete the draft report and experience study for the February meeting, and added that we planned to discuss the draft at this meeting and to finalize the report for the March Pension Commission meeting. Secretary Cloud explained that the Pension Commission was making a presentation at the Committee of the Whole meeting on March 8 and the information in the draft report would be very helpful. Next Liz Churney introduced Ellen Kuzenski and explained that Ellen was another actuary at Hooker & Holcombe who would also be assisting with the actuarial work for the City of Hartford MERF.

Secretary Cloud commented that the projected payroll shown in the report was actually just a baseline, because the projected payroll used the July 1, 2011 payroll projected two years to June 30, 2013. He added that if the City's payroll department provided an updated payroll in June 2012, the City's contribution for fiscal year 2012-2013 might decrease if the updated payroll was lower. Liz Churney agreed because the City's contribution was calculated by applying percentages to the payroll and to the extent that payroll was lower, the contribution would be lower.

Commissioner Lord then clarified that the City's contribution shown in the report included the police, fire, municipal services, board of education and library employees. However, he added, when the City Council discusses the City's contribution they only include police, fire and municipal services, so we need to be clear at the

Committee of the Whole meeting that we included all five groups.

Ms. Churney began to review the July 1, 2011 valuation report explaining that the estimated contribution to the MERF increased from \$28.5 million for 2011/2012 to \$32.6 million for 2012/2013 before any assumption changes were made. The \$4.1 million increase was due to the phase in of asset losses from 2008 and 2009, which increased the contribution by \$8.3 million, and data clean-up, which reduced the contribution by \$4.2 million. The early retirement incentives during 2010 and 2011 increased the liability about \$3,500,000, she added, and would increase the annual contribution about \$350,000 for the next 10 years. She also explained that the estimated 2012/2013 contribution of \$32.6 million was lower than the projected 2012/2013 estimate of \$38.6 million from last year's report, due to a 17.7% return on assets from 2010/2011.

Using the current actuarial assumptions, Ms. Churney continued, the MERF's funded status is 85% based on the smoothed value of assets, but if the market value of assets as of July 1, 2011 was used instead, the MERF's funded status would be 80%. Commissioner Lord commented that the Municipal Code defines fully funded as contributing 100% of the recommended contribution each year and not funded status of 100%. He said it was important to stress that point at the Committee of the Whole meeting.

Next, Ms. Churney reviewed the five year experience study from July 1, 2005 through June 30, 2010. She said generally retirements were earlier than assumed and there were more terminations than assumed. The new experience study showed that most police younger than age 50 retired when they reached 20 years of service, but police over age 50 tended to stay with the City longer than 20 years and most firefighters did not retire until they reached the maximum benefit percentage of 85%. The salaries for the police were higher than assumed, so under the new assumptions base pay for police hired before July 1, 1999 was loaded 43% for overtime and private duty pay, and the base pay for police hired after July 1, 1999 was loaded 19% for overtime and private duty pay. Ms. Churney continued to explain that the revised assumptions increased the City's contribution from \$32.6 million to \$37.7 million.

Secretary Cloud mentioned that the Mayor and the City Council needed to be aware of the impact of changes they negotiate and the impact of early retirements. The Secretary suggested that he and Chairman Stevens should have a conversation with the Mayor and the Office of Management and Budget to make them aware of these issues.

Ms. Churney suggested that the Pension Unit review the spouse age data and the marital status especially for the police and fire employees, because these employees are younger when they retire and have higher benefits, so it is important that this information is correct and the appropriate actuarial assumptions are made for these groups.

George Zoltowski from the Office of Management and Budget asked if a new police contract was adopted shortly when it would be reflected in the actuarial valuation report. Ms. Churney responded that a new contract would not be reflected until the July 1, 2012 valuation report for the 2013/2014 fiscal year and the current July 1, 2011 report would not be revised.

Next Ms. Churney discussed the actuarial cost method and the investment return assumption. She explained that currently the MERF used the Aggregate cost method, but the spread factor was getting very low, because as the average age of the active employees increased, the number of years remaining until they retired decreased and this reduction in future service until retirement reduced the spread factor. The Aggregate cost method also does not isolate the cost impact of any plan or assumption changes. She continued to explain that most plans use either the Entry Age Normal cost method or the Projected Unit Credit cost method and that the Government Accounting Standards Board (GASB) requires the Entry Age Normal cost method for the audit reports. She added that using the new actuarial assumptions and the Entry Age Normal cost method would lower the City's contribution from \$37.7 million to \$36.1 million. Ms. Churney also suggested that the Commission should consider lowering the investment return assumption, because the recent asset liability study recommended lowering the expected long term return assumption from 8% to 7.75% or 7.5%. If the investment return assumption was lowered to 7.75%, under the Aggregate cost method the City's contribution would increase from \$37.7 million to \$42.2 million and under the Entry Age Normal cost method the City's contribution would increase from \$36.1 million to \$40.2 million.

Cynthia Steer from BNY Mellon mentioned that the new GASB proposal effective July 1, 2014 was moving toward using market value of assets and a market rate of return to value liabilities, so the public sector disclosure reports would become more like the private sector disclosure reports.

Secretary Cloud stated that he was comfortable with the 8% investment return assumption and that the MERF had historically exceeded 8%. He added that his office was working with the MERF's general investment consultant, NEPC, to move to an asset mix that would generate an 8% return on assets with less volatility. The Secretary further explained that annual benefit payments equaled \$90 million and based on a \$1 billion fund that equated to 9% of the fund being paid out every year, and if the fund only earned 8% per year it would be a challenge to have the asset return exceed the reduction.

Commissioner Goldman and the Plan Administrator, Donna Parker, agreed that they were both comfortable with changing to the Entry Age Normal cost method. They pointed out that the Aggregate cost method was rarely used any longer, the Entry Age Normal cost method was slightly more conservative and less volatile than the Projected Unit Credit cost method and there would be more transparency of the cost implications when plan or assumption changes were made.

Commissioner Lord stated that he would prefer that the Commission not make these decisions in conjunction with the budget process so that it did not appear that the Commission made changes in response to budget needs rather than a thoughtful process. The Commission agreed and recommended that the annual actuarial valuation report be completed by December 31st in the future, rather than in February.

In conclusion, Secretary Cloud thanked Ms. Churney for her presentation and told her that the Commission would discuss her recommendations and notify her which cost method to use so the report could be finalized for the March meeting.

The Commission received the report for advice and placed it on file.

XII. Report on Proposed MERF Budget for Fiscal Year 2012-2013

Chairman Stevens introduced the item. The Secretary, Adam Cloud, briefly reviewed the proposed MERF budget for FY 2012-2013, highlighting that the City mandated a flat budget and the proposed budget did our share to keep expenses lower.

The Secretary then recommended that consideration of the proposed budget be tabled until the following month, in order to give the Commission time to review the budget and to ask questions.

A motion was made, seconded and unanimously adopted to table adoption of the MERF budget for Fiscal Year 2012-2013 until the March 30, 2012 meeting.

XIII. Other Business

Chairman Stevens introduced the item. There were two items of other business to come before the Commission at this meeting.

A. Fiduciary Liability Insurance

Secretary Cloud reported that the City of Hartford Retirement System Fiduciary Liability Insurance policy would expire on February 27, 2012, but the Treasurer's Office solicited bids on the insurance and as a result we changed agents to Wentworth-DeAngelis Insurance. He continued to explain that the policy was still with Chubb, but we obtained the same coverage with additional endorsements for the same premium. The Secretary added that General Counsel Lisa Silvestri and his staff had reviewed the policy and recommended that the Commission approve the renewal of the policy.

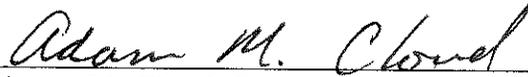
A motion was made, seconded and unanimously adopted to approve the Secretary signing the policy for fiduciary insurance renewal.

B. Personnel Matters

A motion was made, seconded and unanimously adopted to enter into executive session to discuss personnel matters, after which a motion was made, seconded and unanimously adopted to return to open public session.

There being no further business, Chairman Stevens adjourned the Pension Administration portion of the meeting at 12:40 p.m.

Attest:



Adam M. Cloud, Secretary