

**SPECIAL PENSION COMMISSION MEETING**  
**The Hartford Club**  
**46 Prospect Street**  
**Friday, April 13, 2012**  
**12:00 p.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, Acting Assistant Director of Investments; J. Sean Antoine, Acting Assistant Treasurer

**OTHERS PRESENT:** Ellen Kucenski, Hooker & Holcombe, MERF Actuarial Consultant, Gary Dumas, Union Advisor, Hartford Police Union, Nazario Figueroa, Vice President, Hartford Police Union

**The Secretary, Adam Cloud, called the meeting to order at 12:17 p.m.**

Secretary Cloud stated that this special meeting was being held in order for the Pension Committee to review options for the amortization of the unfunded pension liability, in conjunction with the change in cost method to Entry Age Normal for the July 1, 2011 actuarial valuation, and he introduced Ellen Kucenski, the MERF's actuary from Hooker & Holcombe.

Ellen Kucenski presented and explained several alternative amortization schedules. For background and a baseline for the discussion, she referred to page 17 of the February 24, 2012 presentation (City of Hartford MERF – Valuation & Experience Study Review), which showed the Entry Age Normal costs amortized over 15 years and an Annual Required Contribution (ARC) of \$36,128,000.

Ms. Kucenski stated that the exhibit "Cash Contributions- Average Future Working Life Amortization", at the top of page two of the handout, showed the unfunded liability amortized over each group's average future working lifetime, and the normal cost calculated as a percentage of payroll. Commissioner Goldman noted that the longer amortization period reduced the payment. Ms. Kucenski concurred, and stated that in this exhibit the amortization of the unfunded liability was higher, since the period for all groups was less than 15 years.

Ms. Kucenski added that applying the methodology in this exhibit resulted in an Annual Required Contribution of \$41,953,034 (versus \$36,128,000), due to the reduced amortization period.

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Secretary Cloud asked for additional information about why the average future working lifetime would be higher for the uniformed groups. The Plan Administrator, Donna Parker, and Ms. Kucenski explained that the current age and service of the groups, compared to how long they need to stay to reach retirement eligibility, dictated the figure.

Ms. Kucenski stated that the second exhibit "Cash Contributions - Alternate Amortization", on the bottom of page two of the handout, showed the unfunded amortization as it would have been under the prior cost method (Aggregate cost method), split by employee group.

Secretary Cloud asked why the police had the longest amortization period. Ms. Parker explained that the amortization period was essentially spreading the unfunded liability by the present value of future salary. As such, the police had the largest projected salary growth due to projected overtime and private jobs, especially toward the end of their careers, she continued.

Chairman Stevens noted that the amortization was roughly 13 years overall versus 15 years.

Commissioner Goldman stated that he had been concerned that we were not allocating the true pension costs to the groups that had the largest liability, and that he was surprised by the results which showed the police and firefighters with longer amortization periods than the other groups.

Commissioner Lord asked about how an ad-hoc cost of living increase for retirees would be allocated. Commissioner Goldman explained that the liability would be calculated and spread over 15 years, and when there were other future changes to the liability, they would be added to the liability and re-amortized every year.

Commissioner Goldman stated that after seeing the additional options, he would like to go back to the original valuation projections and approve them as presented. Secretary Cloud agreed that it was a good exercise to look at alternatives, and that the Mayor had used the \$36.1 Annual Required Contribution (ARC) in his budget.

Secretary Cloud noted that historically the City's contribution had been based on a percentage of actual payroll from July 1, 2012 to July 30, 2013, and he had concerns if the actual amount contributed was lower than the ARC.

Ms. Parker reported on her conversation with Thomas Tedford in the City's Payroll Department, who stated that the payroll system could not establish a deduction for employer contributions which included both a flat dollar amount and a percentage. Commissioner Lord suggested that two separate codes be established. After some discussion, the group agreed with Commissioner Goldman's suggestion that the group continue with the current working practice of receiving contributions from the City on a percentage basis with every pay cycle.

After some additional discussion, the Commissioners agreed that they were ready to approve the Actuarial Valuation Report at the next meeting. Ms. Parker will coordinate the report with Hooker

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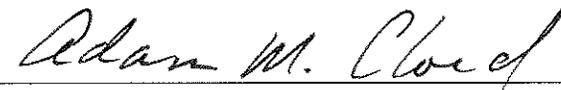
& Holcombe. Secretary Cloud requested that Ms. Churney or Ms. Kucenski attend the next regular Pension Commission Meeting on Friday, April 27, 2012.

Secretary Cloud noted that the full Annual Required Contribution (ARC) was included in the budget. However, there was discussion of a deferment of the contribution by the City, he added. Secretary Cloud continued to explain that while he appreciated that there was an operating deficit in the City, payment of the ARC was mandated by the City Charter and any deferment would only increase the next year's ARC by the deferred amount, in addition to an 8% interest charge. He also stated that the last time the City failed to pay the ARC, the police filed a grievance and the interpretation of the court was that under the Municipal Code, the City must pay the contribution.

Chairman Stevens voiced his agreement with Secretary Cloud, stating that he would be willing to entertain a dialog only under the circumstances that the deferment was a one-time event, and he had not seen evidence of this. Commissioner Lord added that this was a slippery slope, and suggested that all future contribution estimates state that "this assumes that the City makes all contributions for the current plan year". Commissioner Goldman added his support, noting that the City's borrowing costs could increase if the pension fund were less well funded. Employee Representative Marc Nelson noted that he agreed with Chairman Stevens, that this was not a one-time event, and that the budget deficit was largely caused by the revaluation.

There being no further business, Chairman Stevens adjourned the Pension Administration portion of the meeting at 1:25 p.m.

**Attest:**



**Adam M. Cloud, Secretary**

**City Of Hartford**  
**Entry Age Normal Actuarial Accrued Liability**  
**as of July 1, 2011**

	Police	Firefighters	Board Of Education	Municipal Services	Library	Total Membership
<b>A. Covered Payroll</b>						
Annual Payroll (000)	\$36,839	\$29,886	\$41,017	\$24,749	\$4,084	\$136,555
<b>B. Actuarial Accrued Liability (AAL)</b>						
Entry Age Normal AAL (000)						
1. Active Members						
a. Active Members' MERF Liability	\$100,164	\$112,034	\$63,937	\$51,643	\$8,118	\$335,896
b. Local 566 Payment Present Value	0	0	3,601	0	0	
c. Local 1716 Payment Present Value	0	0	0	4,189	0	
d. Total for Active Members	100,164	112,034	67,538	55,832	8,118	343,686
2. Terminated Non-Vested Members [allocated by (1d)]	181	173	98	89	12	553,450
3. Terminated Vested Members	189	90	5,027	5,697	212	11,125
4. Retired Members	279,608	198,305	96,873	272,501	15,269	862,556
5. Old Plans Cola 1987/1990/1997/1999/2001/2005/2007	566	263	116	35	0	980
6. Total	380,719	310,864	169,652	334,054	23,611	1,218,900
<b>C. Valuation Assets (Adjusted Value)</b>						
1. Amount prior to Recognizing Receivable (000)	\$315,305	\$279,459	\$150,816	\$254,544	\$17,476	\$1,017,602
2. Contribution Receivable (000)	0	0	0	0	0	0
3. Valuation Assets after Recognition of Receivable (000)	315,305	279,459	150,816	254,544	17,476	1,017,602
<b>D. Unfunded Actuarial Accrued Liability (000)</b>	\$65,414	\$31,405	\$18,836	\$79,510	\$6,135	\$201,298
<b>E. Funded Percent (C. / B.)</b>	82.8%	89.9%	88.9%	76.2%	74.0%	83.5%

## City Of Hartford

### Cash Contributions - Average Future Working Lifetime Amortization July 1, 2012 - June 30, 2013 Fiscal Year Contribution

	Police	Firefighters	Board Of Education	Municipal Services	Library	Total Membership
<b>1. Development of Amortization</b>						
a. Unfunded Actuarial Accrued Liability	\$65,413,424	\$31,405,172	\$18,835,878	\$79,509,402	\$6,134,722	\$201,298,598
b. Amortization period (average future working lifetime)	12	12	9	9	9	
c. Amortization of Unfunded AAL (open)	8,037,070	3,858,620	2,791,891	11,785,039	908,300	27,381,920
d. Interest Adjusted Amortization of the Unfunded AAL	8,362,368	4,009,988	2,901,418	12,247,372	944,872	28,456,126
<b>2. Annual Adjusted Payroll as of 07/01/2011 w 2 year proj</b>	40,892,548	32,462,687	44,937,391	27,295,947	4,472,670	150,061,243
<b>3. Normal Cost Development</b>						
a. Normal Cost Beginning of Year prior to Expense Load	\$4,576,876	\$2,523,655	\$1,184,184	\$2,072,974	\$249,683	\$10,607,372
b. Expense Load (Allocated by AAL)	792,911	647,428	353,329	695,723	49,174	2,538,565
c. Normal Cost with Interest and Expense Load	5,860,961	3,505,299	1,696,282	3,049,658	331,340	14,543,539
d. Normal Cost as a percentage of payroll	14.58%	10.80%	3.77%	11.17%	7.41%	9.69%
<b>4. Estimated Fiscal Year Contribution for 07/01/2012 - 06/30/2013</b>						
A. Gross City Contribution [1d + 3c]	14,313,329	7,515,294	4,597,700	15,297,030	1,278,312	42,999,665
Actual City Contribution will be based the sum of the fixed dollar Unfunded Amortization shown in 1d. and Normal Cost % shown in 3d. applied to City's actual 2012/2013 payroll						
B. 07/01/2012 Payment for Local 566	0	0	303,918	0	0	303,918
C. 07/01/2012 Payment for Local 1716	0	0	0	509,126	0	509,126
D. Old Plans COLA Annual Payment	127,079	68,024	31,175	7,309	0	233,587
E. Net City Contribution [(A) - (B) - (C) - (D)]	14,186,250	7,447,270	4,262,607	14,780,595	1,278,312	41,953,034

### Cash Contributions - Alternative Amortization\* July 1, 2012 - June 30, 2013 Fiscal Year Contribution

	Police	Firefighters	Board Of Education	Municipal Services	Library	Total Membership
<b>1. Development of Amortization</b>						
a. Unfunded Actuarial Accrued Liability	\$65,413,424	\$31,405,172	\$18,835,878	\$79,509,402	\$6,134,722	\$201,298,598
b. Amortization period (alternative method*)	20	13	11	11	11	
c. Amortization of Unfunded AAL (open)	6,168,983	3,679,110	2,443,019	10,312,395	795,675	23,399,182
d. Interest Adjusted Amortization of the Unfunded AAL	6,410,995	3,823,443	2,538,860	10,716,955	826,890	24,317,143
<b>2. Annual Adjusted Payroll as of w 2 year proj</b>	40,892,548	32,462,687	44,937,391	27,295,947	4,472,670	150,061,243
<b>3. Normal Cost Development</b>						
a. Normal Cost Beginning of Year prior to Expense Load	\$4,576,876	\$2,523,655	\$1,184,184	\$2,072,974	\$249,683	\$10,607,372
b. Expense Load (Allocated by AAL)	792,911	647,428	353,329	695,723	49,174	2,538,565
c. Normal Cost with Interest and Expense Load	5,980,961	3,505,299	1,696,282	3,049,658	331,340	14,543,539
d. Normal Cost as a percentage of payroll	14.58%	10.80%	3.77%	11.17%	7.41%	9.69%
<b>4. Estimated Fiscal Year Contribution for 07/01/2012 - 06/30/2013</b>						
A. Gross City Contribution [1d + 3c]	12,371,956	7,328,742	4,235,141	13,766,613	1,158,229	38,860,682
Actual City Contribution will be based the sum of the fixed dollar Unfunded Amortization shown in 1d. and Normal Cost % shown in 3d. applied to City's actual 2012/2013 payroll						
B. Payment for Local 566	0	0	303,918	0	0	303,918
C. Payment for Local 1716	0	0	0	509,126	0	509,126
D. Old Plans COLA Annual Payment	127,079	68,024	31,175	7,309	0	233,587
E. Net City Contribution [(A) - (B) - (C) - (D)]	12,244,877	7,260,718	3,900,048	13,250,178	1,158,229	37,814,051

\*Level amortization period approximately equal to (Present Value of Future Salaries/Salary) spreading period.