

**PENSION COMMISSION
City Conference Room
260 Constitution Plaza
Friday, March 21, 2014
9:00 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; Carmen Sierra, Assistant City Treasurer; Terry Williams, Senior Administrative Assistant; Chelsea Mott, Accountant

OTHERS PRESENT: Richard Pokorski, Employee Benefits; Jose Sanchez, Acting Finance Director, George Zoltowski, Management & Budget; Amy Humphrey, Assistant Vice President, Gregory Forte, Relationship Manager, Mass Mutual; Ellen Kucenski, Consulting Actuary, Hooker & Holcombe; Robert Walsh, Principal, Member Services of Connecticut

Chairman Peter Stevens called the meeting to order at 9:05 a.m.

I. Minutes of the Meeting of February 21, 2014

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 February 21, 2014 meeting.

II. Survivor Benefits

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

Mooney, Pamela, beneficiary of the late Robert O' Connor, member of the Police Benefit Fund (PBF) who died December 17, 2013 (Survivor benefits under the PBF; Emp. #B571237 / 980280)

Effective Date: January 1, 2014
Annual Allowance: \$ 12,046.20
Monthly Allowance: 1,003.85

Ora, Leili, survivor of the late Henry Ora, member of the Municipal Employees' Retirement Fund (MERF) who died February 10, 2014 (Survivor benefits under the MERF; Emp. #S577197 / 980279)

Effective Date: March 1, 2014
Annual Allowance: \$ 21,290.52
Monthly Allowance: 1,774.21

Owen, Marjorie, survivor of the late Charles Owen, member of the Municipal Employees' Retirement Fund (MERF) who died February 8, 2014 (Survivor benefits under the MERF; Emp. #S579220 / 980281)

Effective Date: March 1, 2014
Annual Allowance: \$ 21,290.52
Monthly Allowance: 1,774.21

Paternostro, Philip, survivor of the late Patricia Paternostro, member of the Municipal Employees' Retirement Fund (MERF) who died February 23, 2014 (Survivor benefits under the MERF; Emp. #S940319 / 980282)

Effective Date: March 1, 2014
Annual Allowance: \$ 4,536.00
Monthly Allowance: 378.00

Woodward, Calvin, survivor of the late Janet Woodward, member of the Municipal Employees' Retirement Fund (MERF) who died November 23, 2013 (Survivor benefits under the MERF; Emp. #980283)

Effective Date: December 1, 2013
Annual Allowance: \$ 7,510.32
Monthly Allowance: 625.86

III. Regular Retirements

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

		<u>AMOUNT</u>		
<u>Brooks, Katherine</u>				
Emp. # 945474 / 990551				
Union: CHPEA				
		Years	Months	Days
Term of Service (including Sick Exchange):		5	0	0
Sick Exchange:		0	0	0
Grounds:	Vested Service			
Termination Date:	November 7, 2012			
Effective Date:	February 16, 2014			
Average Salary:	Highest 2 out of last 5 years			\$ 44,689.66
	Final Base Pay			46,629.00
Pension Allowed:	10.00 %			4,468.92
Monthly Payment:				372.41

<u>Kanderian, Suham</u>				
Emp. #905369 / 990553				
Union: Local 1018F				
		Years	Months	Days
Term of Service (including Sick Exchange):		13	0	0
Sick Exchange:		0	0	0
Grounds:	Service			
Effective Date:	January 11, 2014			
Average Salary:	Highest 5 out of last 10 years			\$ 37,294.85
	Final Base Pay			37,324.00
Pension Allowed:	26.00 %			9,696.72
Monthly Payment:				808.06

<u>Margeson, Rosa</u>				
Emp. # 479220 / 990552				
Union: Local 1018AB				
		Years	Months	Days
Term of Service (including Sick Exchange):		30	0	0
Sick Exchange:		0	0	0
Grounds:	Service			
Effective Date:	January 4, 2014			
Average Salary:	Highest 3 out of last 5 years			\$ 70,250.33
	Final Base Pay			68,521.00
Pension Allowed:	70.00 % less QDRO			43,077.72
Monthly Payment:				3,589.81

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IV. Terminated Vested – Requests to Vest Benefits

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

		<u>AMOUNT</u>
<u>Casiano, Yolanda</u>		
Emp. # 913271		
Union: Local 1018F		
Date of Termination:	December 3, 2013	
Term of Service:	14 years	
Grounds:	Vested Service	
Normal Retirement Date:	May 6, 2024 (Age 60)	
Average Salary:	Highest 5 out of the last 10 years	\$ 36,452.33
	Final Base Pay	37,324.00
Pension Allowed:	28.00 %	10,206.60
Monthly Payment:		850.55
<u>Horvath, John</u>		
Emp. # 942457		
Union: HPU		
Date of Termination:	January 5, 2013	
Term of Service:	18 years	
Grounds:	Vested Service	
Normal Retirement Date:	April 26, 2014 (20 years)	
Average Salary:	Highest 3 out of the last 5 years	\$ 117,574.82
	Final Base Pay	122,216.00
Pension Allowed *:	47.70 %	56,083.20
Monthly Payment:		4,673.60
<u>Jackson, Sherilyn</u>		
Emp. # 910934		
Union: Local 2221		
Date of Termination:	January 31, 2014	
Term of Service:	16 years	
Grounds:	Vested Service	
Normal Retirement Date:	October 13, 2022 (Age 60)	
Average Salary:	Highest 3 out of the last 5 years	\$ 30,377.13
	Final Base Pay	28,130.00
Pension Allowed:	40.00 %	12,150.84
Monthly Payment:		1,012.57

*There is litigation pending relating to this pension allowance

V. 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>
980167	Demaio, Annetta	11/23/2013	\$ 718.49	PBF
376760	Jolly, William	02/03/2014	1,470.31	MERF
577197	Ora, Henry	02/10/2014	3,548.41	MERF
579220	Owen, Charles	02/09/2014	1,161.95	MERF
940319	Paternostro, Patricia	02/23/2014	756.00	MERF
S617335	Rataic, Constance	01/14/2014	155.41	MERF
637521	Roseen, Lester	02/18/2014	2,130.67	MERF
990319	Woodward, Janet	11/23/2013	1,251.71	MERF
794732	Zieger, Cecile	10/04/2013	2,114.24	MERF

The pensions for the following individuals were suspended due to the fact that at least two pension payments remain uncashed or were returned as undeliverable and the individuals did 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>
215104	Doyle, Doris	03/01/2014	\$ 624.47	MERF
281175	Gayle, Veronica	03/01/2014	103.82	MERF

The pension for the following individual was reinstated since the Pension Unit received verification of his address and/or status.

<u>EMPLOYEE NUMBER</u>	<u>NAME</u>	<u>DATE OF REMOVAL</u>	<u>PENSION AMOUNT</u>	<u>PENSION PLAN</u>
835730	Herpin, Cecilia	02/01/2014	\$ 547.00	MERF

VI. 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>
Bilboa, Jessica	\$ 4,757.73
Gonzalez, Wilbert	16,576.51
Johnson, Tishay	87,250.32
Joseph, Hazel Ann	1,261.06
King Jr., Clarke *	16,154.89
Streyle, Rae Ann	14,556.65
Van Norden, L. John	16,727.65

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

The amounts shown above include accrued interest.

*Beneficiary of deceased active MERF member, Rosalynd King

The Plan Administrator, Donna Parker, stated that L. John Van Norden registered a complaint about the timing of his refund. Ms. Parker explained that she communicated to Attorney Van Norden that refunds were made once a month, with the monthly pension payroll, and that he was notified of the six to eight week timing. Ms. Parker reported that Attorney Van Norden replied that the timing was unacceptable, that he expected interest on the funds, and that he was prepared to report the delay to state and federal authorities. The Secretary, Adam Cloud, stated that his complaint was referred to Corporation Counsel, and that his refund was processed in the same manner as all MERF participants. Secretary Cloud noted that he had approved this approach, and that there were no special timing exceptions.

VII. Service Purchases

Routine Service Purchases

Chairman Stevens introduced the item. The Plan Administrator stated that the following individual 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 request was 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>	
Miranda, Gloria *	Prior City	7	2	0	\$ 9,670.19

* This individual signed a promissory note.

VIII. Qualified Domestic Relations Orders

Chairman Stevens introduced the item. The Plan Administrator reported that the Pension Unit had received one properly executed Qualified Domestic Relations Orders (QDRO), for the Deferred Compensation Plan. 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 pension account of the plan member.

Section 457 Deferred Compensation Plan

QDRO: 14-1
Entered into Court Records: December 15, 2006
Contribution Assignment Date: October 27, 2006

Contributions Assigned: Percentage
50.00 %

IX. 2013 Annual Report for the Section 457 Deferred Compensation Plan

Chairman Stevens introduced the item. Amy Humphrey introduced Greg Forte, the City of Hartford's new Relationship Manager. Ms. Humphrey informed the Commission that Mass Mutual had dedicated additional resources to the retirement business, including investment in twice as many relationship managers. Ms. Humphrey reported that she had moved into a management position, overseeing relationship managers, and that Greg Forte would be the City's key contact going forward. She continued to explain that Ethel Pippin would continue to be the City's dedicated Education Specialist.

Ms. Humphrey reported that Mass Mutual's integration with The Hartford was now complete. She further explained that Mass Mutual's focus was on the participant and making sure that they saved enough for retirement. Commissioner Goldman asked how Mass Mutual factored in other plans, such as a defined benefit plan, when determining whether a participant had saved enough for retirement. Ms. Humphrey replied that Mass Mutual was able to integrate the defined benefit plan information if plan sponsors were able to provide the data.

Commissioner Lord inquired about the timing of the Request for Proposal since the contract with Mass Mutual was due to expire December 31, 2014. Secretary Cloud responded that he and Gary Draghi were in negotiation with Mass Mutual, as well as in discussion with financial advisory firms.

Chairman Stevens extended his congratulations to Ms. Humphrey and welcomed Mr. Forte to the City of Hartford. Mr. Forte continued with his review of the 2013 annual results. He noted that plan assets have grown from \$77.4 million to \$94.5 million in 2013, and that contributions and rollovers totaled \$5.3 million in 2013 (page six).

Mr. Forte explained that Mass Mutual was able to customize communication materials for a specific demographic group. He noted that the Mass Mutual communication team had met with the Plan Administrator and Assistant Plan Administrator, and Mass Mutual would work with them and Ethel Pippin on targeted educational materials for City employees.

Secretary Cloud commented that the City's administration tended to focus on the defined benefit plans, and suggested that the City should also communicate more about the defined contribution plan, both as a matter of retention and to help employees build a secure retirement. Secretary Cloud advised his staff to share the 2013 Mass Mutual Retirement Plan Review with the Task Force on Pension Benefits, and the Commissioners concurred. Mr. Forte agreed to attend the Task Force meeting, as needed.

Commissioner Lord inquired about the legal status of the 457 funds: were the funds the property of the City of Hartford, and could they be part of a bankruptcy action. Ms. Humphrey responded that Deferred Compensation (Section 457) assets must be

segregated from the City of Hartford assets and held in an annuity contract for the exclusive benefit of participants, and not subject to the demands of creditors.

Secretary Cloud thanked Ms. Humphrey and Mr. Forte for their presentations.

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

X. July 1, 2013 Actuarial Valuation Report

Chairman Stevens introduced the item. Ellen Kucenski, the MERF's actuary from Hooker & Holcombe, presented the final July 1, 2013 Actuarial Valuation Report. Ms. Kucenski noted that the results were identical to those presented in the preliminary report at the February meeting, with the City's estimated contribution at \$47.8 million. Ms. Kucenski explained that the City's contribution was an estimate because the actual contribution would be based on the actual payroll from July 1, 2014 through June 30, 2015. She further noted that the City's estimated contribution for the 2014-2015 fiscal year dropped from the initial estimate of \$49.3 million to \$47.8 million.

Ms. Kucenski pointed out several new items in the report. She explained that the report states that the Commission will review the 8.0% investment return assumption again next year, after NEPC finalizes their review, with the intention of moving toward 7.75% based on the recommendation of Hooker & Holcombe (bottom of page three). Ms. Kucenski further noted that future estimated contribution amounts are shown on page five. She noted that for the 2015/2016 fiscal year, all things being equal and with no assumption changes, the projected contribution would be \$47.8 million.

At Secretary Cloud's request, Ms. Kucenski reviewed with the Commission the contribution sensitivity exhibit (bottom of page nine) and the development of asset values (page twelve). Ms. Kucenski noted that the plan had banked asset gains of \$6.9 million which were not yet recognized, and confirmed that all asset losses from 2008 had been recognized with this valuation.

A motion was made, seconded and unanimously adopted to accept the actuarial valuation report as of July 1, 2013.

XI. Proposed Budget for Fiscal Year 2014-2015

Chairman Stevens introduced the item. Secretary Cloud informed the Commission that he was providing the fiscal year 2014/2015 Municipal Employees Retirement Fund (MERF) budget draft for their review and input. Secretary Cloud noted that the budget assumed that the City contributed the \$47.8 recommended pension contribution prior to June 30, 2014. Secretary Cloud pointed out a new line item which has a revenue source, \$75,000 from Securities Lending.

Secretary Cloud noted that on the expense side, there was a projected \$1 million increase in investment management fees. Secretary Cloud explained that the increase was the result of the hiring of new managers in private equity, hedge funds, real estate, and private debt. Secretary Cloud advised the Commission that an increase in legal fees was projected due to the increase in investment contract negotiations. Secretary Cloud added that pension payments continued to increase, and were expected to reach \$99 million in fiscal year 2014/2015.

Secretary Cloud stated that the primary reason for the increase in the MERF budget was the increase in investment management fees, and he recommended that the Commissioners consider moving these fees out of administrative expenses. Employee Representative Marc Nelson agreed, and stated that he would prefer the investment management fees broken out of the budget. Commissioner Lord specified that he preferred to separate only investment management/advisory expenses (line one), not all of the investment expenses. Assistant Corporation Counsel Lisa Silvestri added that when making the change, the action should be fully transparent and disclosed. The Commissioners agreed to move the investment management fees out of administrative expenses. Secretary Cloud stated that he would maintain the expense as a "below the line" item.

Employee Representative Marc Nelson questioned the need to increase outside legal fees by twenty percent. Secretary Cloud acknowledged the substantial increase, and explained that a number of private equity contracts were due for re-negotiation this year and required specific outside legal expertise.

Secretary Cloud agreed to send the revised MERF budget spreadsheet to the Commissioners in advance of the April Pension Commission meeting.

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

XII. College Tuition Benefit Program

Chairman Stevens introduced the item. Secretary Cloud reminded that group that last month the Commission had discussed the Colonial Life College Tuition Plan, where employees could receive annual tuition rewards at participating colleges and universities, based on their balances in the Section 457 plan. Secretary Cloud introduced Robert Walsh from Member Services of Connecticut, who would provide additional information about the program.

Mr. Walsh explained that the tuition reward program would be a 100% voluntary benefit program for the City of Hartford, with the City assuming no liability. He continued to explain that tuition rewards credits could be used at 325 colleges and universities, and schools were still being added. He further stated that the colleges took the credits and converted them into dollars for a discount off tuition.

Commissioner Goldman inquired why the Pension Commission was considering this benefit rather than the City's benefits area. Secretary Cloud replied that the benefit was an adjunct to the Deferred Compensation (Section 457) plan, and the Pension Commission administered the Deferred Compensation (Section 457) plan. He continued to explain that the Pension Commission staff would control access to the Section 457 participant data.

A motion was made, seconded, and unanimously adopted to approve signing the contract and services disclosure agreement with First Benefits, LLC.

XIII. Executive Session – Personnel Matters

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

A motion was made, seconded and unanimously adopted to approve the compensation adjustments as presented by the Secretary.

XIV. Other Business

Chairman Stevens introduced the item. There was no Other Business to come before the Commission at this meeting.

XV. Disability Retirements

Benefit Approvals

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

		<u>AMOUNT</u>		
		Years	Months	Days
<u>Thompson-Madden, Elaine</u>				
Emp. # 919855 / 990554				
Union: BOE Non-union				
Term of Service (including Sick Exchange):		6	0	0
Sick Exchange:		0	0	0
Grounds:	Service Connected Partial			
Disability Approved:	December 22, 2013			
Effective Date:	December 21, 2013			
Average Salary:	Rate of Pay			\$ 33,285.56
Pension Allowed:	50.00%			16,642.80
Monthly Payment:				1,386.90

There being no further business, Acting Chairman Lord adjourned the Pension Administration portion of the meeting at 11:55 p.m.

Attest:



Adam M. Cloud, Secretary