

**PENSION COMMISSION
City Conference Room
260 Constitution Plaza
Friday, April 25, 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: Darrell Hill, Chief Operating Officer; Jose Sanchez, Acting Finance Director; George Zoltowski, Management & Budget; Craig Trujillo, Deputy Chief Auditor

Chairman Peter Stevens called the meeting to order at 9:13 a.m.

I. Minutes of the Meeting of March 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 March 21, 2014 meeting.

Secretary Cloud introduced the City's new Chief Operating Officer, Darrell Hill, to the Pension Commission members and staff, and welcomed him to our meeting and to the City.

II. Regular Retirements

The Plan Administrator, Donna Parker, noted that 30 police retirements were pending over the next several months. Commissioner Goldman noted that the Average Salary used in the pension calculations was considerably higher than Final Base Pay, and that the Pension often exceeded the Final Base Pay. Ms. Parker explained that for Hartford Police Union (HPU) employees hired prior to July 1, 1999, the Average Salary included overtime and private jobs. Commissioner Lord inquired whether the benefits for these HPU retirees were likely to be greater than those projected in the valuation report. Ms. Parker responded that Hooker and Holcombe increased Average Salary by 43% for HPU employees prior to July 1, 1999, and that on average, the assumption had been adequate.

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

		<u>AMOUNT</u>		
<u>Burgos, Robert</u>				
Emp. # 942434 / 990557				
Union: HPU				
		Years	Months	Days
Term of Service (including Sick Exchange):		24	0	0
Sick Exchange:		4	0	0
Grounds:	Service			
Effective Date:	March 29, 2014			
Average Salary:	Highest 3 out of last 5 years			\$ 127,602.84
	Final Base Pay			67,051.00
Pension Allowed:	63.00 %			80,389.80
Monthly Payment:				6,699.15

<u>Cochran, Charles</u>				
Emp. # 942435 / 990560				
Union: HPU				
		Years	Months	Days
Term of Service (including Sick Exchange):		24	0	0
Sick Exchange:		4	0	0
Grounds:	Service			
Effective Date:	April 5, 2014			
Average Salary:	Highest 3 out of last 5 years			\$ 120,225.93
	Final Base Pay			94,087.00
Pension Allowed:	63.00 %			75,742.32
Monthly Payment:				6,311.86

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II. Regular Retirements (continued)

AMOUNT

Farrell, Patrick

Emp. # 942440 / 990563

Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange and Military):	28	0	0
Sick Exchange:	4	0	0
Military Service:	3	11	21
Grounds:	Service		
Effective Date:	April 8, 2014		
Average Salary:	Highest 3 out of last 5 years		\$ 97,882.52
	Final Base Pay		79,782.00
Pension Allowed:	72.00 %		70,475.40
Monthly Payment:			5,872.95

Garcia, Harry

Emp. # 942413 / 990559

Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange):	24	0	0
Sick Exchange:	4	0	0
Grounds:	Service		
Effective Date:	April 8, 2014		
Average Salary:	Highest 3 out of last 5 years		\$ 113,620.80
	Final Base Pay		81,728.00
Pension Allowed:	63.00 %		71,581.08
Monthly Payment:			5,965.09

Gordon, Troy

Emp. # 942427 / 990558

Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange):	24	0	0
Sick Exchange:	4	0	0
Grounds:	Service		
Effective Date:	March 29, 2014		
Average Salary:	Highest 3 out of last 5 years		\$ 105,236.32
	Final Base Pay		77,836.00
Pension Allowed:	63.00 %		66,298.92
Monthly Payment:			5,524.91

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II. Regular Retirements (continued)

AMOUNT

Horvath, John

Emp. # 942457 / 990564

Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange):	18	0	0
Sick Exchange:	0	0	0
Grounds:	Vested Service		
Effective Date:	April 26, 2014		
Date of Termination:	January 5, 2013		
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		

Kissane, Kevin

Emp. # 940798 / 990565

Union: Local 760

	Years	Months	Days
Term of Service (including Sick Exchange):	31	4	24
Sick Exchange:	4	4	24
Grounds:	Service		
Effective Date:	April 3, 2014		
Average Salary:	Final Base Pay		\$ 97,303.20
Pension Allowed:	85.00 %		82,707.72
Monthly Payment:	6,892.31		

Martin, Kevin

Emp. # 942430 / 990562

Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange and Military):	28	0	0
Sick Exchange:	4	0	0
Military Service:	4	0	0
Grounds:	Service		
Effective Date:	April 2, 2014		
Average Salary:	Highest 3 out of last 5 years		\$ 136,317.78
	Final Base Pay		89,606.00
Pension Allowed:	72.00 %		98,148.84
Monthly Payment:	8,179.07		

II. Regular Retirements (continued)

AMOUNT

Plourde, Brenon

Emp. # 942423 / 990556

Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange):	24	0	0
Sick Exchange:	4	0	0
Grounds: Service			
Effective Date: March 29, 2014			
Average Salary: Highest 3 out of last 5 years			\$ 126,637.53
			74,998.00
Pension Allowed: 63.00 %			79,781.64
Monthly Payment:			6,648.47

III. QDRO Alternate Payee Retirements

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

AMOUNT

Gorr, Jennifer

Emp. # A942446 / 988054

Alternate Payee of: Gregory Gorr

Union: HPU

Term of Service: 19 years

Grounds: Alternate Payee – Service

Effective Date: April 26, 2014

QDRO Approved: August 2, 2013

Annual Alternate Payee Payment: \$ 27,500.64

Monthly Alternate Payee Payment: \$ 2,291.72

Hightower, Lisa

Emp. # A942451 / 988042

Alternate Payee of: Emory Hightower

Union: HPU

Term of Service: 17 years

Grounds: Alternate Payee – Service

Effective Date: April 26, 2014

QDRO Approved: August 8, 2012

Annual Alternate Payee Payment: \$ 13,806.36

Monthly Alternate Payee Payment: \$ 1,150.53

IV. 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>
247227	Figueroa, Elba	01/18/2014	\$ 1,423.74	MERF
980187	Keegan, Patricia	10/06/2013	1,724.20	MERF
S421201	Labella, Coradina	03/07/2014	782.53	FRF
437573	Lee, Lillian	01/27/2014	1,038.00	MERF
501506	McGowan, Theresa	03/11/2014	387.91	MERF
284769	Schnetzler, Anne	03/15/2014	2,431.13	MERF

V. 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>
Dailey, Judith *	\$ 555.63
D'Angelo, Nicolas	14,345.46
Ettinger, Autumn	29,001.60
Gonzalez, Daniel	1,021.50
Holmes, Andee	9,066.28
Jardim, Roselle	383.17
Lezak, John	2,458.01
Lombardi, Alexandra	7,802.25
Perez, Alba	8,694.19
Perry, Carla	1,392.22
Ramirez, Cassandra	5,670.38
Ramos, Angelise	1,090.07

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.

The amounts shown above include interest.

* Additional interest due to the member.

VI. 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>	
Robinson, Eric *	Military	4	0	0	\$ 31,786.36
Scott, Cinque **	Military	4	0	0	32,155.39
Tyson, Vernon *	Military	4	0	0	49,412.95

* This individual has completed his service purchase.

** This individual elected payroll deduction.

VII. Report on Section 457 Deferred Compensation Plan

Chairman Stevens introduced the item. Ms. Parker noted that she was providing the summary pages of the quarterly report provided by Mass Mutual for the Section 457 Deferred Compensation Plan for the quarter ending on March 31, 2014, as requested by the Commissioners.

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

VIII. Proposed Budget for Fiscal Year 2014-2015

Chairman Stevens introduced the item. Secretary Cloud stated that investment expenses were isolated, in accordance with the Commission's discussion at the March meeting. Commissioner Lord asked what the process would be if the City established an OPEB (Other Post-Employment Benefits) Trust. Secretary Cloud replied that the budget under consideration was only for the MERF, and that if an OPEB trust were established, a separate budget would be developed. He further explained that any MERF staff who worked on OPEB would have a percentage of their time and expense allocated to the OPEB Trust budget.

Secretary Cloud informed the Commission that the Pension Benefits Task Force had concluded their work. The Task Force recommended creation of the OPEB Trust and an OPEB Commission. Assistant Corporation Counsel Lisa Silvestri further explained that the Task Force had recommended approval of the draft ordinance to set up the OPEB Trust, and that the ordinance still needed to be presented to City Council. Secretary Cloud and Attorney Silvestri planned to meet with Darrell Hill, Chief Operating Officer, to discuss the presentation of the OPEB ordinance to Council.

Commissioner Lord requested that all parties receive a copy of the final Task Force recommendation.

A motion was made, seconded and unanimously adopted to approve the MERF budget for the 2014-2015 fiscal year.

IX. Consideration of Personnel Rule Changes

Chairman Stevens introduced the item. Secretary Cloud explained that after working with the Assistant Treasurer, Carmen Sierra, and the Plan Administrator, Donna Parker, he recommended that the Commission vote to allow flexibility around the timing of the performance evaluation of each employee. Secretary Cloud further noted that the goal was to change the timing from the anniversary date to once each calendar year for all employees, to be more consistent with a performance merit system.

Assistant Corporation Counsel Silvestri noted that the change needed to be made by resolution, which she had provided.

Ms. Parker noted that the change had been discussed at a recent staff meeting, and there were no objections made. The Commissioners agreed with the recommendation.

A motion was made, seconded and unanimously adopted to approve the City of Hartford Pension Commission Resolution to Amend the Personnel Rules dated April 25, 2014.

X. Other Business

Chairman Stevens introduced the item. Secretary Cloud stated that he had two items of Other Business.

A. Actuarial Valuation Report

Secretary Cloud asked the Pension Commission to consider making changes to the actuarial report, effective with the July 1, 2013 report. He requested that the Commission contemplate decreasing the actuarial investment assumption from 8.0% to 7.75%, and to

consider the Pension Task Force's recommendation to implement 25 year amortization of the unfunded liability. Secretary Cloud further noted that the changes to the July 1, 2013 actuarial valuation report would impact the 2014-2015 fiscal year.

Secretary Cloud reminded the Commissioners that the 2008 investment losses have been recognized, so Hooker & Holcombe projected that future pension costs would be more stable. At Secretary Cloud's request, Hooker & Holcombe provided a five year forecast using the 7.75% actuarial investment assumption and twenty five year closed amortization. He noted that with these changes, the pension cost for fiscal year 2014-2015 decreased from \$47.8 to \$44.6 million.

Secretary Cloud remarked that lowering the investment return assumption to 7.75% would be an easier benchmark to exceed. He further reported that the twenty year investment performance of the MERF exceeded 8%, and that NEPC projected a return of 7.71% , without factoring in 50 basis points of alpha. Commissioner Goldman concurred with the decision to decrease the investment assumption to 7.75%.

Employee Representative Marc Nelson inquired about the impact on the MERF's funding status. Commissioner Goldman estimated that the funding percentage would be lowered about 2 points, from 76% to 74%. He further stated that in future years, the funding percentage would not increase as quickly, since contributions would be lower.

Commissioner Lord pointed out that the Pension Benefits Task Force recommended the 25 year amortization, and recommended that the Commission review the assumed actuarial investment return. He continued to explain that he supported both changes.

A motion was made, seconded and unanimously adopted to ask Hooker & Holcombe to revise the July 1, 2013 valuation report changing to an assumed actuarial investment return of 7.75%, 25 year closed amortization of the Unfunded Actuarial Liability, and 15 year amortization of new gains and losses.

B. Meetings with the Mayor

Chairman Stevens introduced the item. He reported that each of the Commissioners had been invited to meet with Mayor Segarra and members of his team, over the past week, with regard to changing to the 25 year amortization schedule, in order to reduce the pension cost for the City for the 2014-2015 fiscal year. Chairman Stevens further reported that Commissioner Lord's meeting included discussion of the sale of city assets (parking assets) to the MERF, and that subsequent to Commissioner Lord's meeting, there was communication among Secretary Cloud and the Commissioners.

Chairman Stevens conveyed to Secretary Cloud that the Commissioners would consider the purchase of the City's parking assets under certain circumstances, namely meeting asset allocation parameters and rate of return projections consistent with the asset class.

Secretary Cloud reported that he met with the Mayor and requested a formal letter asking that the Pension Commission consider the purchase of City parking assets by the MERF. He received a letter on April 23, 2014 from Chief Operating Officer Darrell Hill. Secretary Cloud clarified that the issue before the Commission was whether the purchase was something that the Commissioners wanted to pursue, and within what parameters and timing.

Commissioner Lord expressed his concern with the difficulty and complexity of valuing the parking assets. He further questioned whether the purchase of these assets would be a legal transfer from the Hartford Parking Authority (HPA) to the MERF. Secretary Cloud acknowledged that the valuation of the assets would be difficult. He noted that the City had analyzed the Hartford Parking Authority assets several years ago when they were considering privatization. Secretary Cloud suggested that the Commission could consider hiring the same firm, William Blair, since they have the appropriate experience. He then disclosed that his family members have a relationship with William Blair, and they are amending their contracts to exclude themselves from any HPA business.

Employee Representative Marc Nelson expressed his concerns about using the seller's appraisal, since the MERF would be the buyer. Secretary Cloud replied that William Blair was aware of the critical components, which were net operating income, number of parking spaces, etc., and based on his personal knowledge of the individuals, having worked for the City would not influence their execution of the assignment.

Chairman Stevens acknowledged his concern about the process and the heightened sensitivity surrounding the potential sale. He further explained that the Council still needed to adopt this budget, and that he wanted to assist the Council so that they could make an informed decision. Chairman Steven stated that he was in favor of obtaining prior work from William Blair in order to start the process as quickly as possible.

Assistant Chief Auditor Craig Trujillo asked if the hiring of William Blair would need to go out to bid. Assistant Corporation Counsel Lisa Silvestri explained that the Pension Commission would follow our usual hiring practice, which does not mandate an RFP, and that the City did not need to go out to bid to transfer real estate.

Darrell Hill, Chief Operating Officer, stated that the parking investment would be very attractive to the MERF. The City would maintain control of the rate setting, and the pension fund would gain investment income. In addition, the City would maintain the right to buy the parking assets back with a "right of first refusal".

Commissioner Lord asked what needed to be done prior to the end of May. Secretary Cloud suggested that NEPC and the investment staff (Gary Draghi and Wayne Moore) complete due diligence and determine the asset value, so that the City Council would feel comfortable voting on the budget. He further explained that William Blair was willing to

work on a contingency basis, and that no monies would be expended in the event the City Council decided not to proceed with the transaction. The Commissioners agreed with this approach.

A motion was made, seconded and unanimously adopted to engage the investment staff in a valuation of the City's parking assets and to hire William Blair to work on a contingency basis.

XI. Disability Retirement

A motion was made, seconded and unanimously adopted to enter into executive session to discuss the disability applications before the Commission, after which a motion was made, seconded and unanimously adopted to return to open public session.

Benefit Approval

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

		<u>AMOUNT</u>		
		Years	Months	Days
<u>McInerney, Thomas</u>				
Emp. # 941702 / 990555				
Union: Local 760				
Term of Service (including Sick Exchange):		28	0	0
Sick Exchange:		4	0	0
Grounds:	Service Connected Partial			
Effective Date:	March 2, 2014			
Average Salary:	Final Rate of Pay			\$ 81,495.54
Pension Allowed:	77.20%			62,914.56
Monthly Payment:				5,242.88

There being no further business, Chairman Stevens adjourned the Pension Administration portion of the meeting at 11:10 a.m.

Attest:



Adam M. Cloud, Secretary