

**PENSION COMMISSION
City Conference Room
260 Constitution Plaza
Friday, February 27, 2015
9:00 a.m.**

MINUTES

PENSION ADMINISTRATION

MEMBERS PRESENT: Frank Lord; Gene Goldman; Nicholas Triglia, Employee Representative; Adam Cloud, Secretary

MEMBERS EXCUSED: Peter Stevens, Chairman

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; Carmen Sierra, Assistant City Treasurer; J. Sean Antoine, Principal Administrative Analyst

OTHERS PRESENT: Richard Pokorski, Employee Benefits; George Zoltowski, Management & Budget; Chelsea Mott, Accountant; Colin London, Treasury Intern; Tim Ryor, Ellen Kucenski and Brianne Fayed, Hooker & Holcombe; Darrell Hill, Chief Operating Officer; Jose Sanchez, Director of Management & Budget; Leigh Ann Ralls, Finance Director; Kristin Finney-Cooke and Will Forde, NEPC; Tad Fergusson, Pension Consulting Alliance

Acting Chairman Frank Lord called the meeting to order at 9:05 a.m.

I. Minutes of the Meeting of January 30, 2015

A motion was made to table approval of the minutes of the January 30, 2015 meeting until the March meeting.

II. Survivor Benefits

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

Martinez, Felix, survivor of the late Ada Martinez, member of the Municipal Employees' Retirement Fund (MERF) who died December 3, 2014 (Survivor benefits under the MERF; Emp. #S901086 / 980300)

Effective Date: January 1, 2015
Annual Allowance: \$ 4,584.72
Monthly Allowance: 382.06

Murphy, Geraldine, survivor of the late William Murphy, member of the Municipal Employees' Retirement Fund (MERF) who died November 1, 2014 (Survivor benefits under the MERF; Emp. #S544418 / 980302)

Effective Date: December 1, 2014
Annual Allowance: \$ 12,685.68
Monthly Allowance: 1,057.14

Ruggiero, Helen, survivor of the late Nicholas Ruggiero, member of the Municipal Employees' Retirement Fund (MERF) who died December 23, 2014 (Survivor benefits under the MERF; Emp. #S644129 / 980299)

Effective Date: January 1, 2015
Annual Allowance: \$ 12,781.68
Monthly Allowance: 1,065.14

Tassistro, Judith, survivor of the late Frank Tassistro, member of the Municipal Employees' Retirement Fund (MERF) who died January 6, 2015 (Survivor benefits under the MERF; Emp. #S722910 / 980301)

Effective Date: February 1, 2015
Annual Allowance: \$ 14,733.00
Monthly Allowance: 1,227.75

III. Regular Retirements

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

		<u>AMOUNT</u>		
<u>DiGiacomo, James</u>				
Emp. #941692 / 990652				
Union: Local 760				
		Years	Months	Days
Term of Service (including Sick Exchange):		31	0	0
Sick Exchange:		6	0	0
Grounds:	Service			
Effective Date:	January 11, 2015			
Average Salary:	Final Base Pay			\$ 90,819.42
Pension Allowed:	85.00 %			77,196.48
Monthly Payment:				6,433.04

<u>Gagnon, Robert</u>				
Emp. #829994 / 990660				
Union: Library Union				
		Years	Months	Days
Term of Service (including Sick Exchange):		13	0	0
Sick Exchange:		0	0	0
Grounds:	Service			
Effective Date:	January 7, 2015			
Average Salary:	Highest 2 out of last 5 years			\$ 41,470.41
	Final Base Pay			41,390.00
Pension Allowed:	26.00 %			10,782.36
Monthly Payment:				898.53

<u>Harrison, Sheila</u>				
Emp. #914359 / 990655				
Union: Local 1018F				
		Years	Months	Days
Term of Service (including Sick Exchange):		14	0	0
Sick Exchange:		0	0	0
Grounds:	Service			
Effective Date:	December 30, 2014			
Average Salary:	Highest 5 out of last 10 years			\$ 30,147.53
	Final Base Pay			28,485.00
Pension Allowed:	28.00 %			8,441.28
Monthly Payment:				703.44

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III. Regular Retirements (continued)

AMOUNT

Ibrahimi, Lirim

Emp. #911583 / 990658

Union: Local 2221

	Years	Months	Days
Term of Service (including Sick Exchange):	16	0	0
Sick Exchange:	0	0	0
Grounds:	Service		
Effective Date:	December 25, 2014		
Average Salary:	Highest 3 out of last 5 years		\$ 37,123.70
	Final Base Pay		37,232.00
Pension Allowed:	40.00 %		14,849.52
Monthly Payment:	1,237.46		

Kiernan, Herminia

Emp. #944406 / 990657

Union: HMEA

	Years	Months	Days
Term of Service (including Sick Exchange):	10	0	0
Sick Exchange:	0	0	0
Grounds:	Service		
Effective Date:	January 29, 2015		
Average Salary:	Highest 2 out of last 5 years		\$ 45,544.59
	Final Base Pay		44,616.00
Pension Allowed:	20.00 %		9,108.96
Monthly Payment:	759.08		

Moore, Bryant

Emp. # 942878 / 990659

Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange):	23	0	0
Sick Exchange:	4	0	0
Grounds:	Early		
Effective Date:	January 9, 2015		
Average Salary:	Highest 3 out of last 5 years		\$ 110,424.50
	Final Base Pay		69,398.00
Pension Allowed:			
Unreduced Pension:	60.35%		\$ 66,641.16
Early Reduction Factor:	7.20% for each year prior to 20 years		6.38 %
Reduced Pension:	\$ 62,389.44		
Monthly Payment:	5,199.12		

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III. Regular Retirements (continued)

AMOUNT

Murphy, Peter C.
Emp. #941703 / 990653
Union: Local 760

	Years	Months	Days
Term of Service (including Sick Exchange):	31	0	0
Sick Exchange:	6	0	0
Grounds:	Service		
Effective Date:	January 18, 2015		
Average Salary:	Final Base Pay		\$ 96,196.86
Pension Allowed:	85.00 % less QDRO		72,490.80
Monthly Payment:	6,040.90		

Pond, William
Emp. #941707 / 990656
Union: Local 760

	Years	Months	Days
Term of Service (including Sick Exchange):	31	0	0
Sick Exchange:	6	0	0
Grounds:	Service		
Effective Date:	January 25, 2015		
Average Salary:	Final Base Pay		\$ 101,747.04
Pension Allowed:	85.00 %		86,484.96
Monthly Payment:	7,207.08		

Rodriguez, Frank
Emp. #941708 / 990654
Union: Local 760

	Years	Months	Days
Term of Service (including Sick Exchange):	31	0	0
Sick Exchange:	6	0	0
Grounds:	Service		
Effective Date:	January 17, 2015		
Average Salary:	Final Base Pay		\$ 83,915.50
Pension Allowed:	85.00 %		71,328.12
Monthly Payment:	5,944.01		

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>Coleman, Jacqueline</u>		
Emp. # 000919		
Union: BOE Non-Union		
Date of Termination:	February 4, 2015	
Term of Service:	5 years	
Grounds:	Vested Service	
Normal Retirement Date:	July 13, 2028 (Age 60)	
Average Salary:	Highest 5 out of the last 10 years	\$127,404.59
	Final Base Pay	134,444.00
Pension Allowed:	10.00 %	12,740.40
Monthly Payment:		1,061.70

<u>Slodzinski, Jennifer</u>		
Emp. # 000564		
Union: Local 82		
Date of Termination:	August 22, 2014	
Term of Service:	6 years	
Grounds:	Vested Service	
Normal Retirement Date:	July 16, 2033 (Age 60)	
Average Salary:	Highest 3 out of the last 5 years	\$48,222.37
	Final Base Pay	47,890.00
Pension Allowed:	15.00 %	7,233.36
Monthly Payment:		602.78

V. Separations from Pension Payroll

The following separations from Pension Payroll were placed on file:

<u>EMPLOYEE</u> <u>NUMBER</u>	<u>NAME</u>	<u>DATE OF</u> <u>DEATH</u>	<u>PENSION</u> <u>AMOUNT</u>	<u>PENSION</u> <u>PLAN</u>
198102	Diminno, Mary	01/23/2015	\$ 1,021.55	MERF
253405	Flaherty, Helen	01/04/2015	594.95	MERF
419877	Kummings, Herbert	01/24/2015	1,475.05	MERF
980232	Lutzen, William	01/29/2015	221.76	MERF
940041	Sullo, Barbara	01/29/2015	2,189.85	MERF
722910	Tassistro, Frank	01/06/2015	1,985.32	MERF
727989	Thomson, David	01/11/2015	1,312.59	MERF

V. Separations from Pension Payroll (continued)

The pension for the following individual was reinstated since the Pension Unit received verification of her address.

<u>EMPLOYEE NUMBER</u>	<u>NAME</u>	<u>DATE OF REMOVAL</u>	<u>PENSION AMOUNT</u>	<u>PENSION PLAN</u>
663646	Perez, Carmen	01/01/2015	\$ 1,331.52	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>
Bernard, Karen	\$ 1,748.67
Casler, Holly	967.53
Chawner, Theresa	10,510.03
Gladden, Toland	19,222.79
Gonzalez, Amarilys	347.51
Gonzalez, Luz	1,334.44
Gonzalez, Miriam	2,368.82
Myles, Adrian	3,028.04
Pham, Kathy	812.49
Rendon, Tina	6,784.22
Terrell, Carol	106.81
Velazquez, Carlos	405.74
Williams, Teesia	71.21

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.

VII. July 1, 2014 Actuarial Valuation Report

Acting Chairman Lord introduced the item. Secretary Adam Cloud introduced Tim Ryor, Ellen Kucenski and Brianne Fayed from Hooker & Holcombe.

Tim Ryor gave a brief overview of the July 1, 2014 valuation results and explained that asset performance was the key driver for the reduction in the contribution. Ellen Kucenski continued by reviewing the asset performance during the fiscal year ending June 30, 2014 and explained that the return on the market value of assets was 14.1% and the return on the smoothed or actuarial value of assets was 10.2%, compared to an actuarial assumption of 7.75%. She added that the return on the actuarial value of assets resulted in a \$60 million gain, and \$12 million was recognized this year, which reduced the contribution by \$1.3 million.

Next Ms. Kucenski reviewed the actuarial gains and losses. She explained that the expected liability was \$1.31 billion while the actual liability was \$1.30 billion, which showed that the assumptions selected with the 2011 experience study were consistent with actual experience. She added that the number of active participants for most groups declined from July 1, 2013 to June 30, 2014, except for the Board of Education.

Ms. Kucenski then discussed the contribution calculation, which was composed of the amortization of the unfunded liability plus the normal cost, and the unfunded liability was the liability minus the actuarial value of the assets. The unfunded liability as of July 1, 2013 was frozen and amortized over 25 years and the 25 year payment would be \$27.7 million annually. New actuarial gains or losses were added annually and amortized over 15 years and this year the actuarial gain generated a credit of \$3.6 million. The normal cost, which was the portion of the value of the benefits allocated to the current year, was expected to be \$13.66 million but the actual normal cost was \$12.14 million due to less active employees in most departments and lower than expected salary increases. After adjusting for interest and expenses, the baseline contribution for the 2015-2016 fiscal year was \$40.28 million.

Secretary Cloud requested that the final valuation report include the sensitivity analysis of a 5% increase or decrease in payroll.

Next Tim Ryor led a discussion about the updated mortality table. In October 2014 the Society of Actuaries issued a new base mortality table (RP-2014) and a new mortality scale to project future mortality improvements (MP-2014). An analysis of the City of Hartford data supported using the RP-2000 base mortality table with the MP-2014 projection scale set forward one year including the blue collar adjustment where appropriate, and the mortality table would be analyzed further with the 2016 experience study. The update in the mortality table increased the 2015-2016 contribution by \$2.33 million to \$ 42.6 million.

Lastly Mr. Ryor reviewed the funded percentage after the change in the mortality table, which was 76.9% using the actuarial value of assets and 80.2% using the market value of assets. He added that these results were in the middle of CT public plans and the average funded percentage was around 75%.

Secretary Cloud asked if the City was required to change the mortality table. Mr. Ryor responded that Hooker & Holcombe would have difficulty justifying to the auditors why the change was not made. Commissioner Gene Goldman commented that it would be a good year to make the change since the contribution decreased due to asset gains and the private sector had to make the mortality change by December 31, 2014.

A motion was made, seconded and unanimously adopted to accept the preliminary report showing a recommended contribution of \$42.6 million and to recognize the mortality table change for the 2015-2016 fiscal year.

VIII. Additional Fund Offerings in the Section 457 Deferred Compensation Plan

Acting Chairman Lord introduced the item. Director of Investments, Gary Draghi, explained that Mass Mutual recommended, and the City of Hartford Deferred Compensation Committee agreed with the recommendation, to add five target date funds to the Deferred Compensation Plan investment fund offerings. Adding five funds would reduce the age bands for retirement age from ten years to five years, Mr. Draghi continued, and the industry trend was to have five year age bands. Mr. Draghi concluded by stating that there would be no additional cost to the plan to add these funds.

Secretary Adam Cloud added that as part of the transition of the City's Deferred Compensation Plan to the new Mass Mutual platform on April 1, 2015, a new Plan document and contract would be issued. The Plan Administrator, Donna Parker, explained that the Plan document and the contract needed to be reviewed by Corporation Counsel before the documents could be finalized in early March. Secretary Cloud asked the Plan Administrator and Assistant Corporation Counsel, Lisa Silvestri, to work together to ensure that the documents were reviewed promptly.

A motion was made, seconded and unanimously adopted to add five target date funds to the Deferred Compensation Plan.

Item IX. Other Business was taken out of order after Item X.

IX. Other Business

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

A. Other Post-Employment Benefits (OPEB) Trust

The Secretary, Adam Cloud, informed the Commission that he had planned to present an implementation plan and budget for the OPEB trust fund at this meeting as requested by Chairman Peter Stevens at the January 30, 2015 meeting, but the OPEB ordinance had been referred to the Management & Budget Committee by City Council and the ordinance had not come out of the committee yet. Secretary Cloud added that he had recently received a letter from the Board of Education with a legal opinion from an outside law firm requested by John Griffin, Director of Risk Management, stating that the Board of Education wanted to segregate their assets from the City's assets in the OPEB trust and the Board of Education did not want their assets comingled. Secretary Cloud explained that Assistant Corporation Counsel, Lisa Silvestri, was reviewing the opinion and Attorney Silvestri stated that the Board of Education would need an ordinance from City Council to be able to create their own OPEB trust and only the City was empowered to create an OPEB trust.

Secretary Cloud also informed the Commission that he was preparing Requests for Proposals for the OPEB trust and the City was also building the 2015-2016 budget to include OPEB funding.

B. Pension Obligation Bonds

The Secretary, Adam Cloud, informed the Commission he researching the viability of offering Pension Obligation Bonds and their impact on the MERF and the 2015 fiscal year budget, because the City would be facing a \$49 million deficit at the end of the current fiscal year.

Item X. Disability Retirements was taken out of order after Item VI.

X. Disability Retirements

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

Benefit Approvals

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

		<u>AMOUNT</u>		
		Years	Months	Days
<u>Binder, Ann</u>				
Emp. 809373 / 990661				
Union: Library Non-Union				
Term of Service (including Sick Exchange):		11	0	0
Sick Exchange:		0	0	0
Grounds:	Service Connected Partial			
Disability Approved:	January 30, 2015			
Effective Date:	January 10, 2015			
Average Salary:	Final Rate of Pay			\$ 45,669.26
Pension Allowed:	50.00%			22,834.68
Monthly Payment:				1,902.89

There being no further business, Acting Chairman Lord adjourned the Pension Administration portion of the meeting at 10:35 a.m.

Attest:



Adam M. Cloud, Secretary