

**PENSION COMMISSION  
City Conference Room  
260 Constitution Plaza  
Friday, April 24, 2015  
9:00 a.m.**

**MINUTES**

**PENSION ADMINISTRATION**

**MEMBERS PRESENT:** Peter Stevens, Chairman; Frank Lord; Nicholas Triglia, Employee Representative; Adam Cloud, Secretary

**MEMBERS EXCUSED:** Gene Goldman

**STAFF PRESENT:** Donna Parker, Plan Administrator; Lisa Silvestri, Assistant Corporation Counsel; Carmen Sierra, Assistant City Treasurer; J. Sean Antoine, Principal Administrative Analyst; Chelsea Mott, Accountant

**OTHERS PRESENT:** Richard Pokorski, Employee Benefits; George Zoltowski, Management & Budget; Colin London, Treasury Intern

**Chairman Peter Stevens called the meeting to order at 9:03 a.m.**

**I. Minutes of the Meeting of March 27, 2015**

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 27, 2015 meeting.**

**II. Survivor Benefits**

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

Booker, Jacqueline, survivor of the late Carl Booker, member of the Municipal Employees' Retirement Fund (MERF) who died March 1, 2015 (Survivor benefits under the MERF; Emp. #S053260 / 980306)

Effective Date:	April 1, 2015	
Annual Allowance:		\$ 20,235.24
Monthly Allowance:		1,686.27

Jacobsen, Su Bok, survivor of the late Ernest Jacobsen, member of the Municipal Employees' Retirement Fund (MERF) who died February 22, 2015 (Survivor benefits under the MERF; Emp. #S368601 / 980305)

Effective Date:	March 1, 2015	
Annual Allowance:		\$ 23,657.16
Monthly Allowance:		1,971.43

**III. Regular Retirements**

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

		<u>AMOUNT</u>		
<u>Crabtree, Lewis</u>				
Emp. # 941662 / 990675				
Union: HPU				
		Years	Months	Days
Term of Service (including Sick Exchange):		29	0	0
Sick Exchange:		4	0	0
Grounds:	Service			
Effective Date:	April 5, 2015			
Average Salary:	Highest 3 out of last 5 years			\$ 70,091.36
	Final Base Pay			69,398.00
Pension Allowed:	74.00 %			51,867.60
Monthly Payment:				4,322.30

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**III. Regular Retirements (continued)**

AMOUNT

Drawhorn, Geneva

Emp. # 216666 / 990673

Union: HPU Non-Sworn

	Years	Months	Days
Term of Service (including Sick Exchange):	33	0	0
Sick Exchange:	0	0	0
Grounds:	Service		
Effective Date:	March 29, 2015		
Average Salary:	Highest 3 out of last 5 years		\$ 99,771.44
	Final Base Pay		57,111.00
Pension Allowed:	80.00 %		79,817.16
Monthly Payment:	6,651.43		

Fonfara, James

Emp. # 941695 / 990663

Union: Local 760

	Years	Months	Days
Term of Service (including Sick Exchange):	31	0	0
Sick Exchange:	6	0	0
Grounds:	Service		
Effective Date:	February 4, 2015		
Average Salary:	Final Base Pay		\$ 83,915.50
Pension Allowed:	85.00 %		71,328.12
Monthly Payment:	5,944.01		

Iwanicki, Lynn

Emp. # 910838 / 990672

Union: Local 82

	Years	Months	Days
Term of Service (including Sick Exchange):	18	0	0
Sick Exchange:	0	0	0
Grounds:	Service		
Effective Date:	April 10, 2015		
Average Salary:	Highest 3 out of last 5 years		\$ 76,981.05
	Final Base Pay		73,135.00
Pension Allowed:	45.00 %		34,641.48
Monthly Payment:	2,886.79		

III. Regular Retirements (continued)

		<u>AMOUNT</u>		
<u>Larkum, Steven</u>				
Emp. # 430153 / 990674				
Union: Local 760				
		Years	Months	Days
Term of Service (including Sick Exchange):		35	0	0
Sick Exchange:		2	0	0
Grounds:	Service			
Effective Date:	March 25, 2015			
Average Salary:	Final Base Pay			\$ 116,299.42
Pension Allowed:	85.00 %			98,854.56
Monthly Payment:				8,237.88
<u>Pearl, Roger</u>				
Emp. # 941753 / 990676				
Union: HPU				
		Years	Months	Days
Term of Service (including Sick Exchange and Military):		32	0	0
Sick Exchange:		4	0	0
Military Service:		2	10	20
Grounds:	Service			
Effective Date:	April 5, 2015			
Average Salary:	Highest 3 out of last 5 years			\$ 69,348.04
	Final Base Pay			69,398.00
Pension Allowed:	77.00 %			53,397.96
Monthly Payment:				4,449.83
<u>Robinson, John</u>				
Emp. # 911730 / 990671				
Union: Local 78				
		Years	Months	Days
Term of Service (including Military Service):		15	0	0
Military Service:		3	4	25
Grounds:	Vested Early			
Effective Date:	April 6, 2015			
Termination Date:	August 3, 2009			
Average Salary:	Highest 3 out of last 5 years			\$ 89,650.66
	Final Base Pay			91,049.00
Pension Allowed:				
Unreduced Pension:	37.49 %			\$ 33,612.72
Early Reduction Factor:	4.00 % for each year prior to age 60			20.00 %
Reduced Pension:				\$ 26,890.20
Monthly Payment:				2,240.85

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>
53260	Booker, Carl G.	03/01/2015	\$ 4,499.60	MERF
980153	Burns, Anna	03/01/2015	1,103.03	MERF
S120790	Cohen, Irene	03/10/2015	334.97	MERF
S225223	Durand, Ida	03/15/2015	133.10	MERF
308412	Grenier, Margaret	03/03/2015	191.18	MERF
587796	Jutras, Donna *	03/31/2015	330.23	PBF
S436861	Leconche, Marie	03/01/2015	953.67	MERF
980037	Lopa, Richard *	03/31/2015	418.43	PBF
453277	Lopa, Robert *	03/31/2015	418.43	PBF
469688	Mahorn, Owen	03/11/2015	1,254.14	MERF
621528	Reid, Cleveland	03/15/2015	229.11	MERF
630632	Robinson, Evelyn	03/12/2015	240.24	CITY-ANN
665037	Sen, Satyakam	03/31/2015	1,042.26	MERF
S666506	Serafin, Gwendolyn	03/19/2015	625.57	MERF

\* Non-spouse beneficiaries who were eligible to receive survivor benefits for a period of 10 years following the death of the participant. The 10-year payment period ended March 31, 2015.

The pension for the following individual was suspended due to the fact that at least two pension payments were uncashed or were returned as undeliverable and the individual did not respond to inquiries made by the Pension Unit as to her address and/or status.

<u>EMPLOYEE NUMBER</u>	<u>NAME</u>	<u>DATE OF REMOVAL</u>	<u>PENSION AMOUNT</u>	<u>PENSION PLAN</u>
990221	Michaud, Mary	04/01/2015	\$ 601.41	MERF

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

<u>EMPLOYEE NUMBER</u>	<u>NAME</u>	<u>DATE OF REMOVAL</u>	<u>PENSION AMOUNT</u>	<u>PENSION PLAN</u>
340685	Hernandez, Jesus	01/01/2015	\$ 333.17	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>
Allen, Ashley	\$ 934.05
Banks, Aisha	199.27
Calixto, Charles	25,449.28
Flowers, Joyce	231.83
Freckleton, Keisha	616.37
Gonzalez, Yadira	613.82
Mihaly, Amanda	11,535.06
Napolitano, Kristi	2,495.88
Nazario, Jerry	11,342.69

None of the above members is 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 interest.

**VI. Request for Refund of Contributions for Excess Purchased Service**

**A motion was made, seconded and unanimously adopted to refund the following amounts paid for additional pension service that was not able to be used in the pension calculation:**

<u>Name</u>	<u>Amount Due:</u>	<u>Service Type</u>
Fonfara, James	\$ 45,082.86	Military Service
Pearl, Roger	141.82	Military Service

**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 requests were accepted and placed on file.**

<u>NAME</u>	<u>TYPE</u>	<u>AMOUNT</u>			<u>PURCHASE</u>
		<u>Years</u>	<u>Months</u>	<u>Days</u>	<u>PRICE</u>
Byam, Sean *	CMERS	25	8	2	\$ 43,497.21

\* This individual has completed his service purchase.

**VIII. Report on Section 457 Deferred Compensation Quarterly Status**

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, 2015, as requested by the Commissioners. Ms. Parker highlighted that the statements reflected the transition from The Hartford to Mass Mutual.

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

**IX. Appointment of Mass Mutual Trustee**

Chairman Stevens introduced the item. The Plan Administrator, Donna Parker, explained that as part of the transition of the Deferred Compensation Plan to Mass Mutual the Commission had to approve the appointment of Reliance Trust Company as the trustee and authorize Mass Mutual to act as an agent of the trustee.

**A motion was made, seconded and unanimously adopted to approve the appointment of Reliance Trust Company as the trustee and authorize Mass Mutual to act as an agent of the trustee.**

**Item X. was taken out of order after Item XI.**

**X. Proposed Budget for Fiscal Year 2015-2016**

Chairman Stevens introduced the item. Secretary Adam Cloud asked Principal Administrative Analyst, Sean Antoine, to review the budget. Mr. Antoine stated that there were a several edits to the budget: the master custodian fees increased due to the private equity accounts, proxy voting service fees increased and the fees for NEPC increased due to the inclusion of additional invoices.

**A motion was made, seconded and unanimously adopted to approve the 2015-2016 MERF budget as presented on April 24, 2015.**

**XI. Report on Pension Obligation Bonds**

Chairman Stevens introduced the item. Secretary Cloud explained that he had a discussion with the Mayor about how he could be helpful in closing the \$49 million budget gap and in response Secretary Cloud had restructured the current bond portfolio to save \$13 million.

The Secretary, Adam Cloud, distributed three articles about Pension Obligation Bonds (POBs) and he reviewed in detail the presentation by Jay Redd from Municipal Resource Advisors analyzing the possible savings to the City of Hartford with POB financing.

The Jay Redd presentation analyzed the cost savings to the City of Hartford of issuing POBs equal to the unfunded actuarial accrued liability (about \$306 million) as shown in the July 1, 2014 actuarial valuation report. The presentation analyzed if the debt service payment of principal plus interest plus the normal cost payment of about \$12 million per year would be less than the annual required contribution of \$42.6 million for the next 30 years. In 2016 the City would save about \$22 million and afterward the City would save about \$9 million per year trending downward to \$5 million per year. This analysis assumed that the POBs would be issued at a 5% interest rate.

The Chairman, Peter Stevens, pointed out that the analysis assumed that the City would earn at least 5% annually on their investments and Secretary Cloud added that it was a good time to issue POBs since interest rates were still low. Secretary Cloud added that Bridgeport had a poor experience with POBs but the POBs issued by Michigan and Kansas went well. Secretary Cloud also stated that the risk versus the reward needed to be analyzed.

Commissioner Lord pointed out that the pension assets would not be used as collateral and the bonds would be an obligation of the City and it might impact the City's ability to borrow.

George Zoltowski asked if there was a certain debt limit. Secretary Cloud explained that

rating agencies look at debt versus revenue and want debt repayment to be less than 10% of the annual budget, so the City would need to keep total debt repayment less than \$40 million.

Rich Pokorski explained that New Britain had issued POBs and it had worked out well, but the whole process took over two years to implement.

There was then some discussion that if the pension plan was 100% funded, it would give the MERF more flexibility with investments, but the City might also be more inclined to grant plan enhancements and expect that no contributions would be necessary to the pension plan.

Secretary Cloud concluded by stating that the question he was grappling with was if saving \$9 million a year was material enough for the City to consider implementing POBs. He was also considering inviting an investment banker to make a presentation about POBs to the Commission.

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

## **XII. Revised Actuarial Valuation Report as of July 1, 2014**

Chairman Stevens introduced the item. The Secretary, Adam Cloud, explained that he had discussions with the Mayor about how to lower the City's contribution to the MERF for the 2015-2016 fiscal year and they had compromised on delaying the change to the new mortality table which would reduce the 2015-2016 contribution by \$2.3 million from \$42.6 million to \$40.3 million.

Secretary Cloud discussed this change with Tim Ryor, the MERF's actuary at Hooker & Holcombe, and Mr. Ryor suggested updating to the new mortality table in 2015-2016 as planned, but phasing in the cost increase over the next four years. Mr. Ryor explained to Secretary Cloud that phasing in the cost increase over the next four years would keep the 2015-2016 contribution at \$40.3 million and 25% of the \$2.3 million increase would be recognized in each of the next four years. Mr. Ryor also explained that the cost increase during the fiscal years 2017-2020 due to the change in the mortality table would be offset by the recognition of asset gains from July 1, 2014 and the contribution would trend upward from \$40.3 million in 2015-2016 to \$41.3 million in 2019-2020 absent any other gains or losses.

**A motion was made, seconded and unanimously adopted to phase in the cost increase due to updating to the new mortality table over the next four years.**

**XIII. Other Business**

Chairman Stevens introduced the item. The Secretary, Adam Cloud, stated that he had two item of other business.

**A. City Budget Discussions and OPEB Trust Update**

Secretary Cloud informed the Commission that he had been working on an ordinance for the Other Post-Employment Benefits (OPEB) Trust for two years and the ordinance recently came out of the OMB Committee and should be approved by the City Council soon.

In anticipation of the OPEB Trust, Secretary Cloud explained, the Board of Education had saved \$36 million for OPEB contributions, which the City was holding in the City's General Fund, and the City was waiting for the OPEB Trust to be set up to make the contribution. However, Secretary Cloud added, the Board of Education was concerned about co-mingling their OPEB contributions with the City's OPEB contributions in the trust, because the City's contribution would only be about \$2 million, so the Board wanted sub-accounting within the trust to keep the Board of Education's and the City's contributions separate, which was reflected in the revised ordinance.

There also was another issue that needed to be resolved, Secretary Cloud added. In the most recent OPEB valuation report, Secretary Cloud stated, the City's actuary, The Segal Group, calculated the Board of Education's OPEB liability to be only \$19 million, so the City was planning to allocate \$19 million of the \$36 million to the Board of Education's OPEB liability and to use the remaining \$17 million to balance the City's budget.

Secretary Cloud concluded by stating that the Board was challenging this approach, so the Chairman of the City Council had requested an expedited audit of the state and city grants to review if the City could use the money.

**B. Replacement of Assistant Plan Administrator**

Secretary Cloud informed the Commission that the Assistant Plan Administrator position had been advertised and about 30 resumes were received and two applicants had been interviewed.

**XIV. Disability Retirements**

**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.

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

Application

<u>NAME</u>	<u>UNION</u>	<u>QUALIFICATION</u>	<u>YEARS</u>	<u>AGE</u>
Reeves, Alice Nance	Local 1018D	Service Connected Partial	15	55

There being no further business, Chairman Stevens adjourned the Pension Administration portion of the meeting at 10:25 a.m.

Attest:

  
\_\_\_\_\_  
Adam M. Cloud, Secretary