



FY2016 Treasury Budget Presentation

Adam M. Cloud
City Treasurer

April 30, 2015



Office of the Treasurer

Mission:

As the independently elected custodian and investor of all City funds, co-issuer of the City's debt and the administrator of the City's pension fund, it is the City Treasurer's mission to pursue prudent investment, cash-management and debt-management policies so as to protect all the City's monetary assets, relieve the burden on taxpayers and leverage the powers and authority of the office to improve the quality of life for Hartford residents, retirees and businesses while maintaining the utmost accuracy, honesty and integrity in all fiscal operations.



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Organization Chart

TREASURER

Hon. Adam M. Cloud

ASSISTANT TREASURER

Carmen I. Sierra

CUSTODY OF FUNDS

Financial Systems Manager

Principal Admin. Analyst

Accountant

Admin. Assistant

EXECUTIVE OFFICE

Senior Admin. Assistant

Senior Admin. Assistant

INVESTMENTS

Director of Investments

Asst. Director of Investments

Principal Admin. Analyst

PENSION ADMINISTRATION

Plan Administrator

Assistant Plan Admin.

Member Services Specialist

Member Services Specialist

Pension Analyst

Pension Assistant



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Recommended Budget: \$438,010

General Fund: \$438,010

Grants: 0

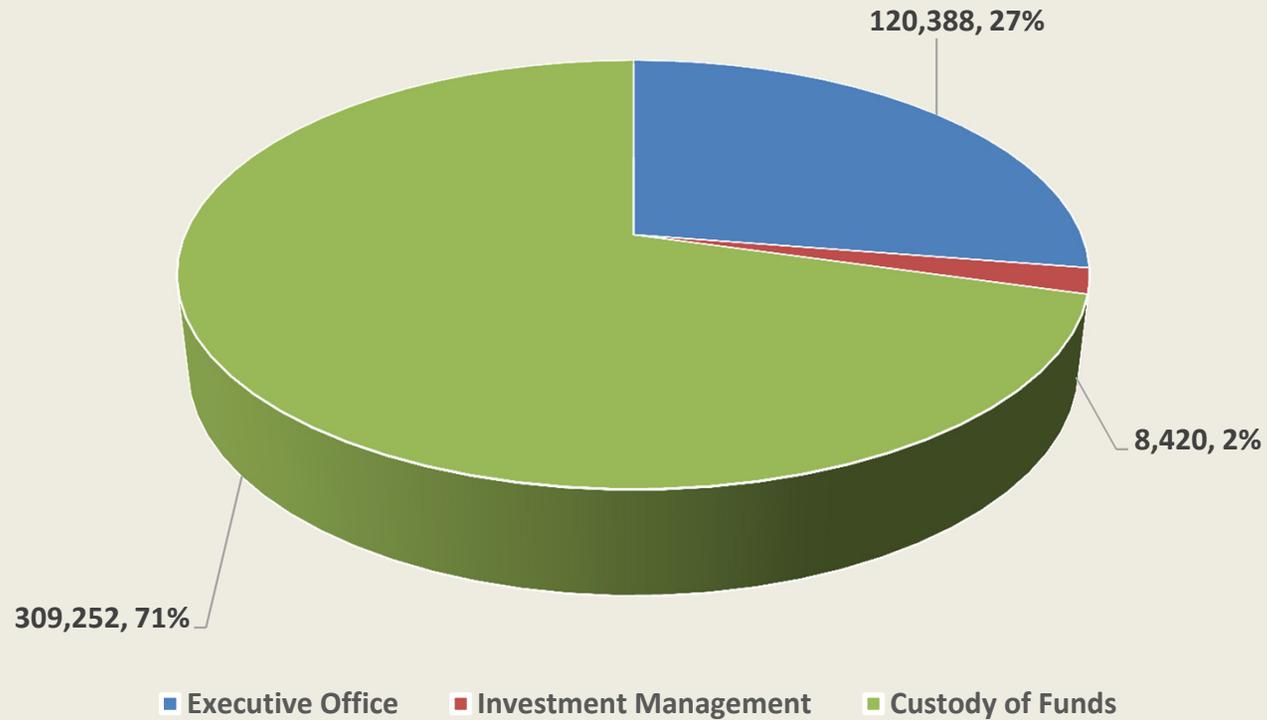
Capital Improvements Program: 0

Total: \$438,010



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General Fund Total - \$438,010





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Legal Mandates:

EXECUTIVE OFFICE

- ***Executive Management***- Provide leadership, oversight and support to Treasury employees to facilitate the achievement of goals and outcomes;
- ***Debt Management*** -Serve as co-issuer of all City revenue and general obligation bonds in order to finance City capital projects and other needs;
- ***Investor Relations and Public Information*** - Provide financial reporting and information so that Treasury operations are open and transparent to the public;
- ***Short-Term Investments*** - Provide income earned on temporarily idle General Fund cash



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Legal Mandates:

INVESTMENT MANAGEMENT

- ***Investment Policy and Asset Allocation*** - Invest pension and trust funds entrusted to the Treasurer in order to achieve the maximum earnings possible within the constraints of the level of risk consistent with policy;

CUSTODY OF FUNDS

- ***Payment Disbursals*** - Pay City obligations to vendors, employees and retirees in an efficient and timely manner;
- ***Bank Reconciliation*** - Account for and balance the receipts and disbursals of City funds in conjunction with the City's general ledger and Finance Department accounting systems;



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Strategic Goals Achieved This FY:

- **Maintained a strong pension fund**, which is one of the components contributing to the City's excellent bond rating;
- **Produced a 14% return** (versus the **7.75%** assumed rate of return) on the investment of the MERF assets **bringing the value of the assets to \$1.05 billion from \$898 million** *since the Treasurer was elected*, representing a gain of **\$149 million dollars** and a **cumulative increase of 17%**



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Strategic Goals Achieved This FY:

- **Developed** an *official and informative website* for our constituencies;
- **Created** an *Internship Program* for high school students in Hartford;
- **Creating a loan program to assist people facing foreclosure** within the City;
- After the *closure of Northend Bank of America* branch, **worked with Bank of America to donate the building to Hartford; Municipal Employee's Federal Credit Union.**
Grand opening is expected June 2015



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Strategic Initiatives:

- **Identify** small, local, women and minority firms that can manage pension fund assets;
- **Utilize** technology to facilitate secure and prompt payments of paychecks and vendor checks;
- **Work** with the City administration to enhance our City Parks through the investment of Hartford Parks Trust Fund assets;
- **Implement** an investment program to help reduce the Other Post Employee Benefits (OPEB) cost paid by the City;
- **Continue** to hold seminars in connection with local banks to educate constituents on financial literacy and to promote increased lending to residents and small businesses;
- **Create** the **“Resident’s Reference Guide”** to inform and educate the residents about various fiscal matters



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Progress Update(s):

- Created a mandate for *Minority and Women Business Enterprise* (MBE) firms have an **opportunity to manage a portion of the MERF's** Opportunistic Real Estate portfolio;
- We are currently engaging vendors to streamline our tracking system for vendor and payroll payments. This will allow us to move from paper to electronic process;
- Distributed **\$600,000** of Parks Trust Fund dollars;
- **OPEB Trust** ordinance is awaiting approval from City Council;
- Distributed nearly 100 Resident's Reference Guides

For more information about our initiatives, please visit our

website: <http://treasurer.hartford.gov>



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MERF

City of Hartford Municipal Employees' Retirement Fund Overview



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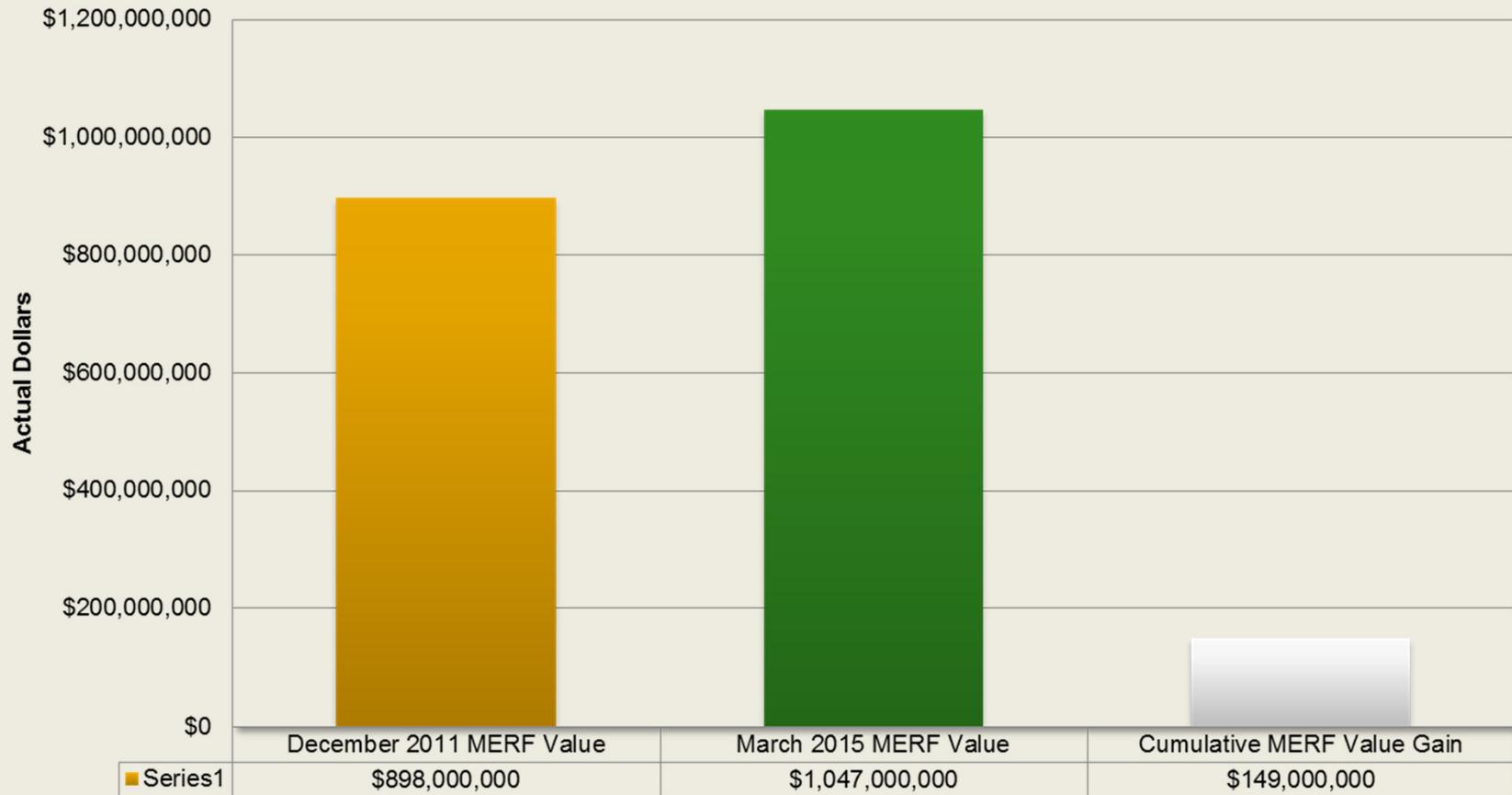
Municipal Employee Retirement Fund “MERF”

- Defined benefit pension plan, **funded by City** contributions, **employee** contributions and the **returns from investments**
- ***Trust fund separate from the City*** – assets are held for the benefit of plan participants
- **City Treasurer** and **Pension Commission** have **fiduciary duties** of care, loyalty and prudence re: MERF assets
- Approximately **5,381** participants
- **Assumed** annual rate of return on investments: **7.75%**
- **Actual** net return on investments since inception: **8.6%**



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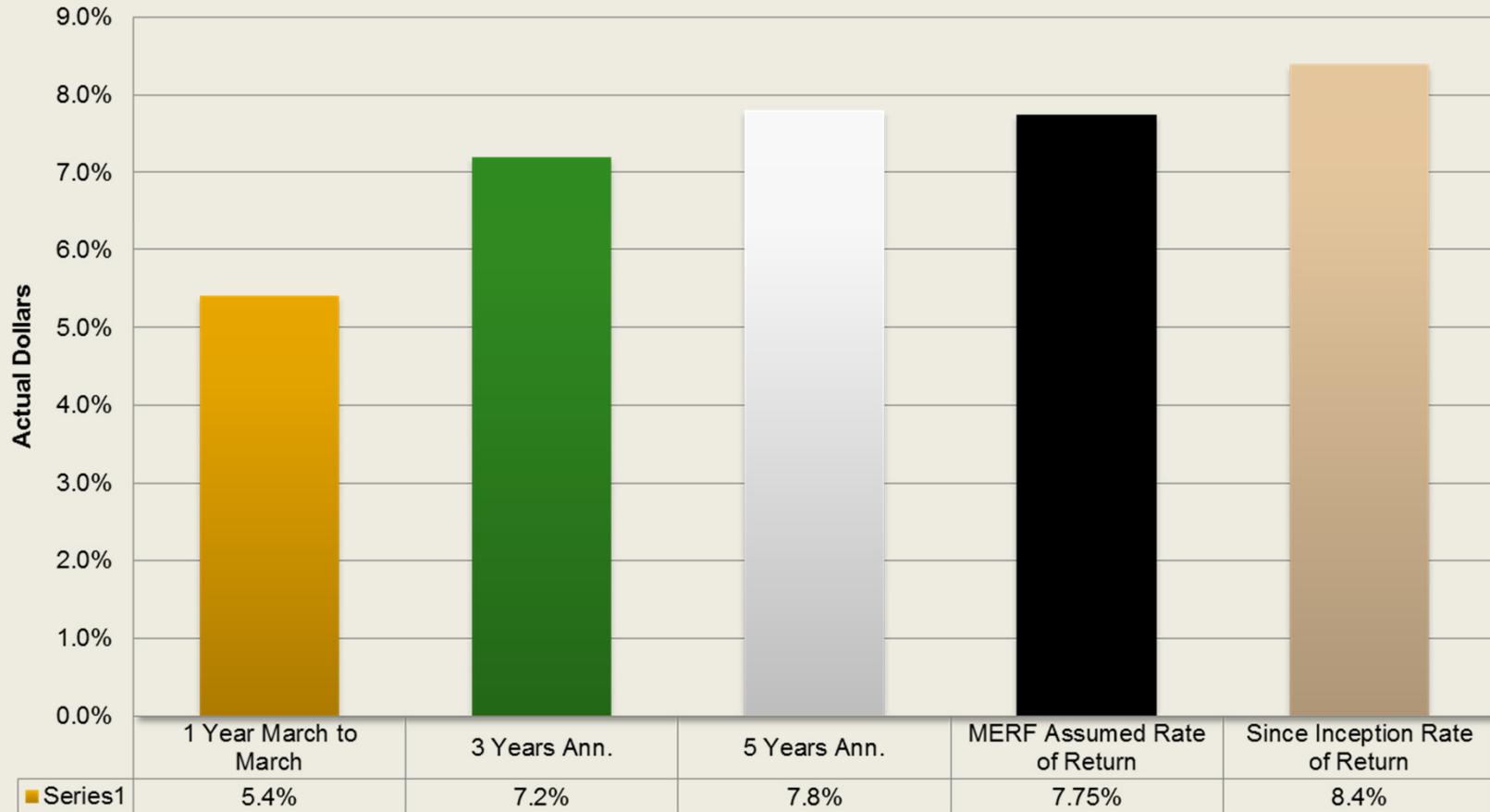
City of Hartford - MERF - 17% Value Increase Since December 2011





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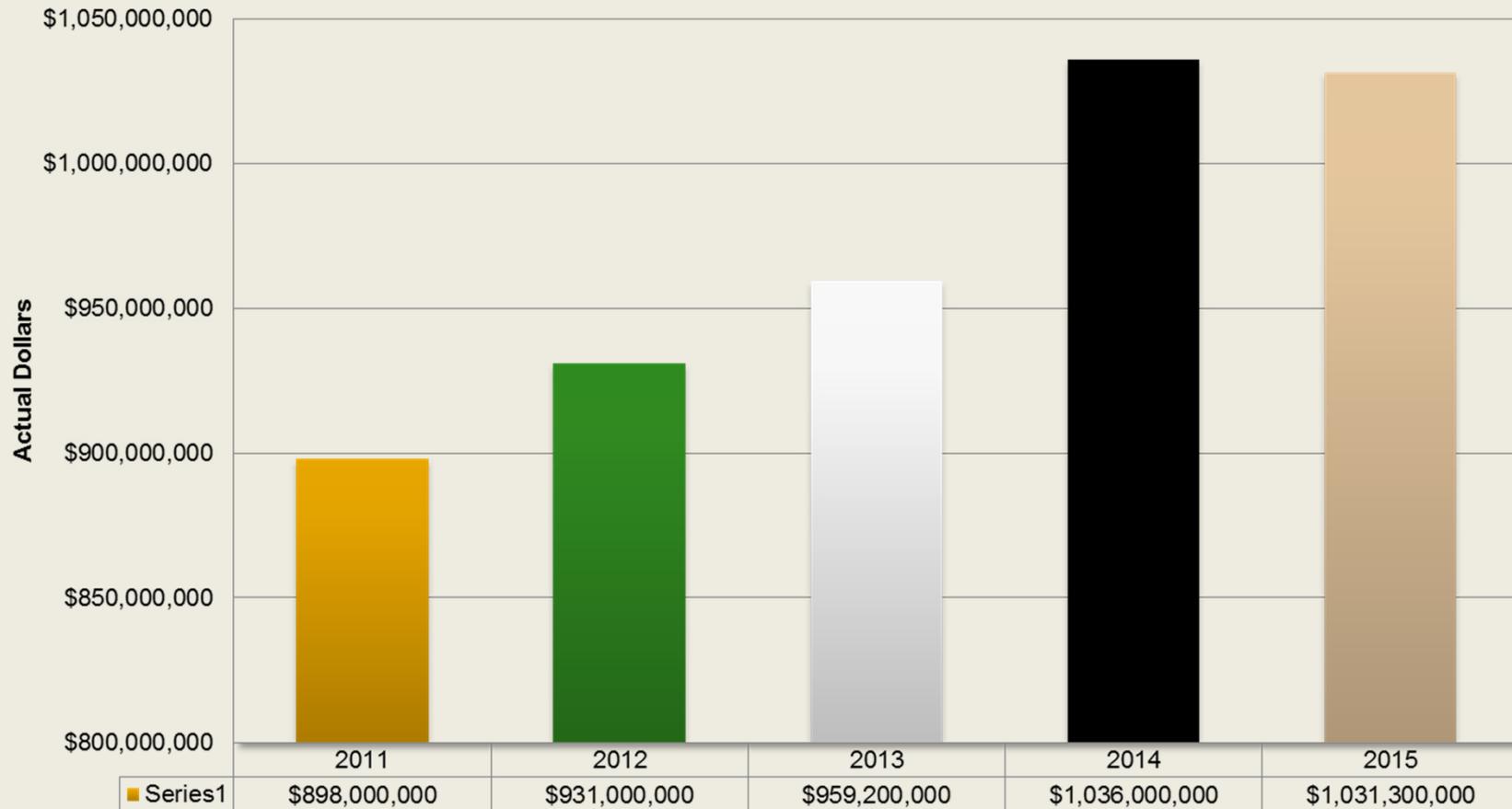
City of Hartford - MERF - Net Performance as of March 31, 2015





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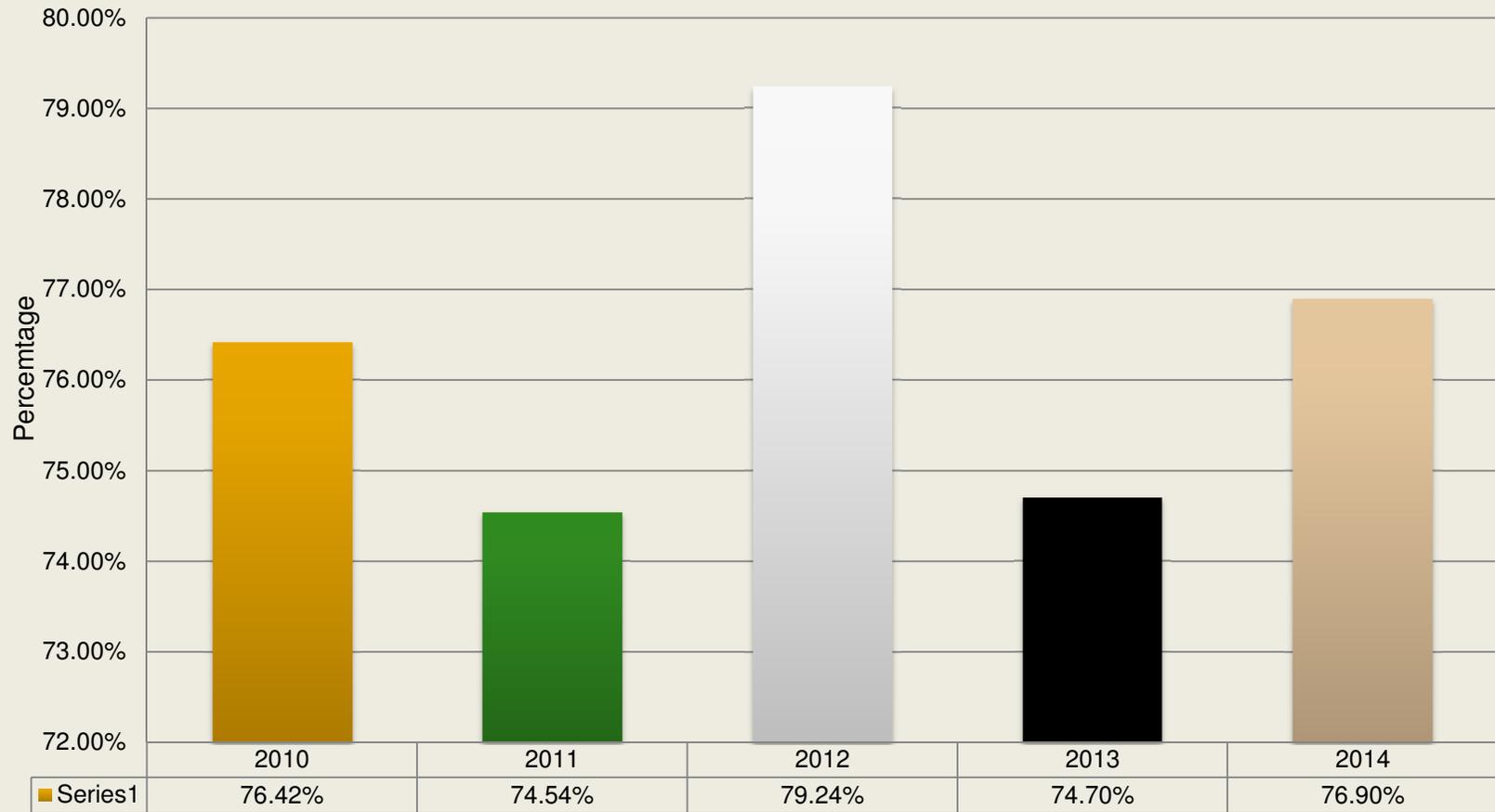
City of Hartford - MERF Portfolio Values





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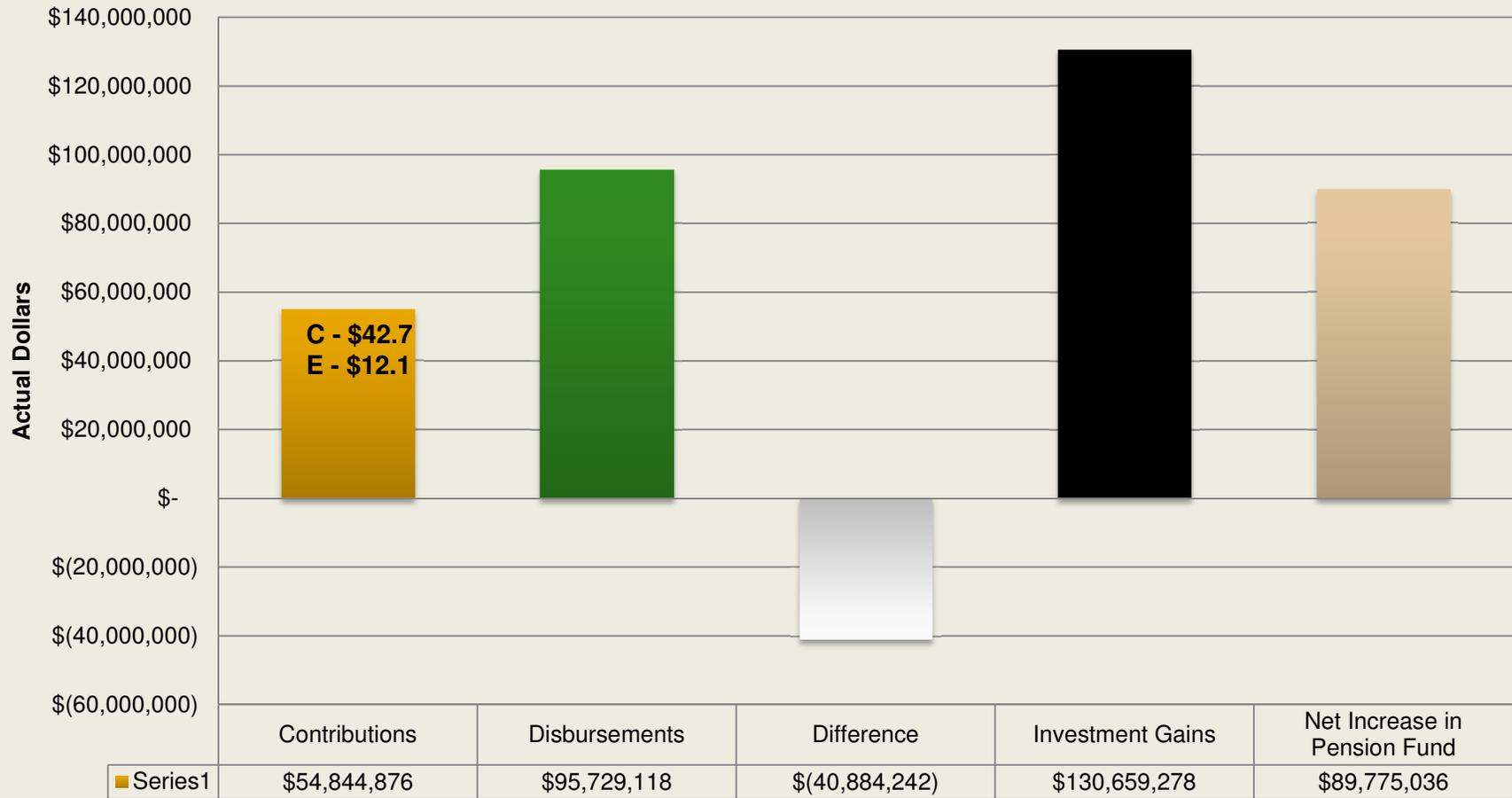
City of Hartford MERF - Funded Status as of July 1, 2014





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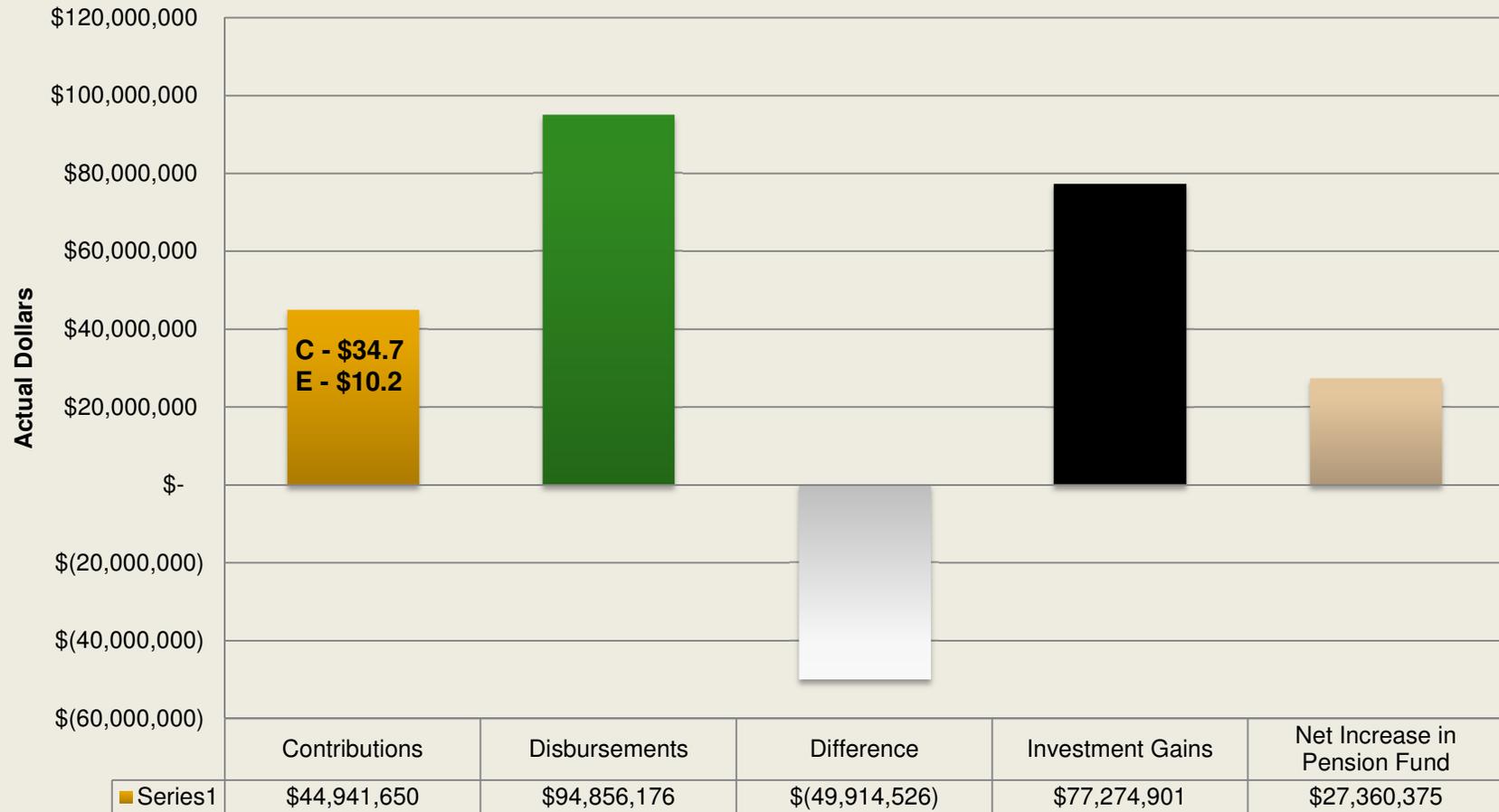
City of Hartford MERF – FY 2015 Cash Flows





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City of Hartford - MERF – FY 2014 Cash Flows





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Estimated Annual Contribution from the City (includes BOE & Library)

	2015/2016	2016/2017	2017/2018	2018/2019
Prior Estimate as of April 24, 2014	\$44,435,000	\$44,375,000	\$46,581,000	\$47,724,000
Current Methodology with New Mortality Rate	\$42,612,000	\$41,620,000	\$41,822,000	\$41,146,000
Phase-in Mortality Approach	\$40,282,000	\$39,872,500	\$40,925,000	\$41,053,500
Difference in Contribution using Current Methodology *	\$2,330,000	\$1,747,500	\$897,000	\$92,500
Difference in Contribution vs. Prior Estimate	\$4,153,000	\$4,502,000	\$5,656,000	\$6,670,500

Notes: * Represents amount of savings to FY 2016 Budget

Results are based on assets and liabilities as of *July 1, 2014* projected to each future valuation date. Plan provisions and assumptions used are those outlined in the *2014 MERF Actuarial Survey*.

Contributions shown above *represent the Net City Contribution after offsets for payments made by the City* directly for Local 566, Local 1716 and Old Plan COLA payments.

4/23/2015

HOOKER & HOLCOMBE, Inc. 20



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Asset Allocation vs. Traditional Portfolio

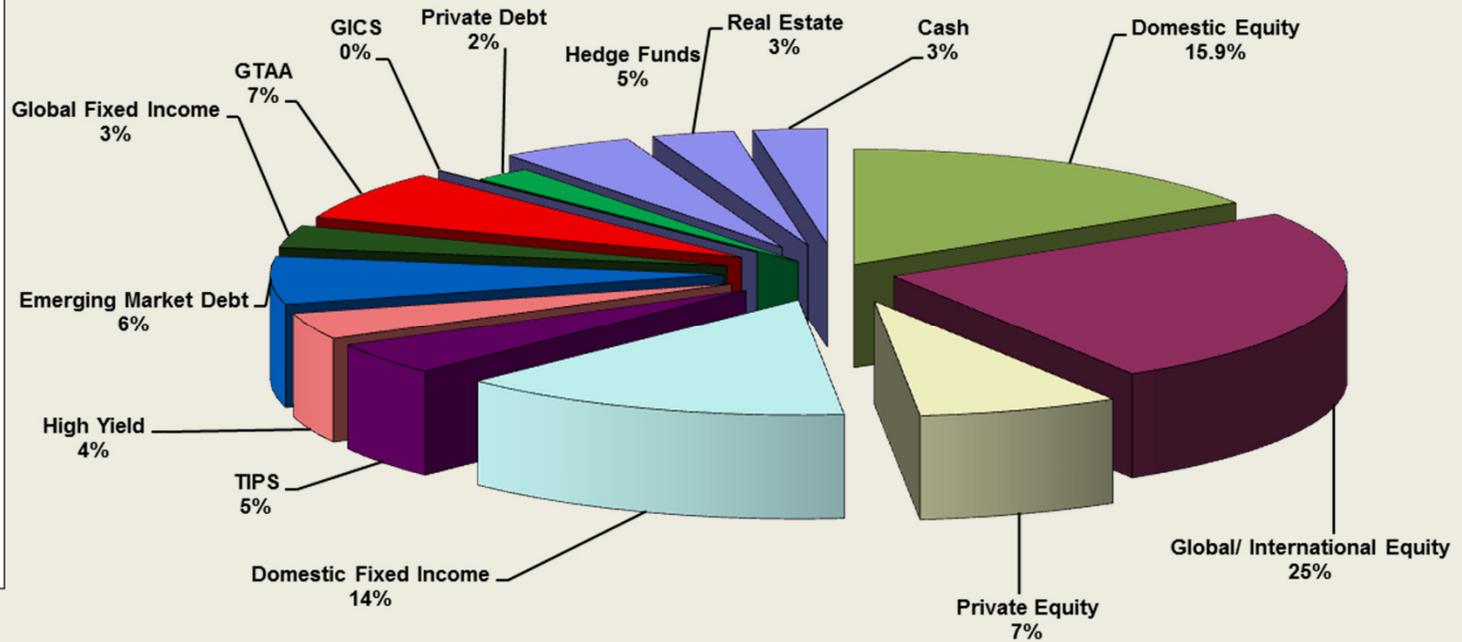
	Long-Term Target	60/40 portfolio
Cash	2%	0%
Large Cap Equities	9%	30%
Small/Mid Cap Equities	4%	10%
Int'l Equities (Unhedged)	10%	20%
Emerging Int'l Equities	9%	0%
Total Equity	32%	60%
Core Bonds	5%	40%
High-Yield Bonds	4%	0%
Global Bonds (Unhedged)	3%	0%
EMD (External)	3%	0%
EMD (Local Currency)	3%	0%
TIPS	4%	0%
Long Govt/Credit	9%	0%
Total Fixed Income	31%	40%
Private Equity	5%	0%
Private Debt	3%	0%
Real Estate (Core)	8%	0%
Hedge Funds	10%	0%
Total Alternatives	26%	0%
Global Asset Allocation	7%	0%
Commodities	3%	0%
Total Other	10%	0%
Expected Return (5 - 7 Yrs.)	6.6%	5.4%
Expected Volatility	11.0%	11.2%
Sharpe Ratio	0.46	0.35
Expected Return (30 Yrs.)	7.7%	7.0%



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Asset Allocation Detail – As of January 31, 2015

- Domestic Equity
- Global/International Equity
- Private Equity
- Domestic Fixed Income
- TIPS
- High Yield
- Emerging Market Debt
- Global Fixed Income
- GTAA
- GICS
- Private Debt
- Hedge Funds
- Real Estate
- Cash





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Questions ?