

**PENSION COMMISSION
City Conference Room
260 Constitution Plaza
Friday, April 29, 2016
9:00 a.m.**

MINUTES

PENSION ADMINISTRATION

MEMBERS PRESENT: Peter Stevens, Chairman; Frank Lord; Gene Goldman; Adam Cloud, Secretary

MEMBERS EXCUSED: Nicholas Trigila, Employee Representative

STAFF PRESENT: Donna Parker, Plan Administrator; Rebecca Crowley, Assistant 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; Kurt Cavanaugh, Firefighter; Carlo Marchetti, Firefighter; Luke Bronin, Mayor; Darrell Hill, Chief Operating Officer

Chairman Peter Stevens called the meeting to order at 9:10 a.m.

I. Minutes of the Meeting of March 24, 2016

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 24, 2016 meeting.

Agenda Items II through VII – Discussion

Under the new administrative process, the Pension Commission discussed agenda items II through VII prior to any motions or approvals. Plan Administrator Donna Parker stated that the agenda items were routine this month and that there were 3 Police retirements with some overtime, but not as much as other retirements in the past. Ms. Parker also noted that the refunds included two death benefits.

Secretary Adam Cloud reminded the Commission of the discussion at the March 2016 Commission meeting in which a request from Metro Hartford Innovation Services (MHIS) relative to work performed for the earnings history file was discussed. Secretary Cloud informed the Commission that subsequent to the Commission’s denial of the MHIS request, Chief Innovation Officer Sabina Sitaru emailed Secretary Cloud and informed him that her staff would be reassigned to other projects, would only support the pension department on an as needed basis and that MHIS could not commit time as a priority to the pension department.

Secretary Cloud stated that funds for the work performed in the past had been included in the 2016/2017 budget for discussion; however, funds for projected work had not been included. Secretary Cloud also reminded the Commission that statements had not been provided to employees since 2003 and the work had been in progress for 10 years.

II. Survivor Benefits

The following survivor benefits were approved by consent vote:

Goldstein, Kayleen, survivor of the late Benjamin Goldstein, member of the Police Benefit Fund (PBF) who died March 13, 2016 (Survivor benefits under the PBF; Emp. #S296120 / 980333)

Effective Date:	April 1, 2016	
Annual Allowance:		\$ 15,328.92
Monthly Allowance:		1,277.41

Rossi, Angela *, survivor of the late William Rossi, member of the Municipal Employees’ Retirement Fund (MERF) who died February 21, 2016 (Survivor benefits under the MERF; Emp. #S639877 / 980332)

Effective Date:	March 1, 2016	
Annual Allowance:		\$ 14,423.64
Monthly Allowance:		1,201.97

* This benefit was presented for ratification. The first payment was made in March 2016.

III. Regular Retirements

The following regular retirement benefits were approved by consent vote:

		<u>AMOUNT</u>		
<u>Banjac, Ljiljana</u>				
Emp. # 912784 / 990780				
Union: Local 2221				
		Years	Months	Days
Term of Service (including Sick Exchange):		13	0	0
Sick Exchange:		0	0	0
Grounds:	Vested Service			
Termination Date:	August 22, 2012			
Effective Date:	January 31, 2016			
Average Salary:	Highest 3 out of last 5 years			\$ 24,686.96
	Final Base Pay			24,060.00
Pension Allowed:	32.50 %			8,023.32
Monthly Payment:				668.61

<u>Coachman, Germaine</u>				
Emp. # 942861 / 990779				
Union: HPU				
		Years	Months	Days
Term of Service (including Sick Exchange):		24	0	0
Sick Exchange:		4	0	0
Grounds:	Service			
Effective Date:	April 2, 2016			
Average Salary:	Highest 3 out of last 5 years			\$ 137,013.27
	Final Base Pay			71,480.00
Pension Allowed:	63.00 %			86,318.40
Monthly Payment:				7,193.20

III. Regular Retirements (continued)

		<u>AMOUNT</u>		
<u>Holly Donahue</u>				
Emp. # 942862 / 990782				
Union: HPU				
		Years	Months	Days
Term of Service (including Sick Exchange and Military Service):		28	0	0
Sick Exchange:		4	0	0
Military Service:		3	7	24
Grounds:	Service			
Effective Date:	April 3, 2016			
Average Salary:	Highest 3 out of last 5 years			\$ 128,223.09
	Final Base Pay			74,763.00
Pension Allowed:	72.00 %			92,320.68
Monthly Payment:				7,693.39
<u>Loos, Daniel</u>				
Emp. # 946076 / 990776				
Union: Unclassified				
		Years	Months	Days
Term of Service (including Sick Exchange and Qualified Non-City Service):		13	0	0
Sick Exchange:		4	0	0
Qualified Non-City Service:		3	6	21
Grounds:	Early			
Effective Date:	April 9, 2016			
Termination Date:	March 11, 2016			
Average Salary:	Highest 2 of the last 5 years			\$ 112,516.79
	Final Base Pay			113,690.00
Pension Allowed:				
Unreduced Pension:	32.50 %			\$ 36,567.96
Early Reduction Factor:	4.00 % for each year prior to age 60			0.00 %
Reduced Pension:				\$ 36,567.96
Monthly Payment:				3,047.33

III. Regular Retirements (continued)

AMOUNT

Prado, Lilly
Emp. # 912414 / 990777
Union: Local 82

	Years	Months	Days
Term of Service (including Sick Exchange):	14	0	0
Sick Exchange:	0	0	0
Grounds:	Vested Service		
Termination Date:	August 9, 2013		
Effective Date:	April 7, 2016		
Average Salary:	Highest 3 out of last 5 years		\$ 27,395.10
	Final Base Pay		27,082.00
Pension Allowed:	35.00 %		9,588.24
Monthly Payment:	799.02		

Stewart, Vinton
Emp. # 942087 / 990778
Union: HMEA

	Years	Months	Days
Term of Service (including Sick Exchange):	28	0	0
Sick Exchange:	4	0	0
Grounds:	Service		
Effective Date:	March 10, 2016		
Average Salary:	Highest 2 out of last 5 years		\$ 69,596.35
	Final Base Pay		68,650.00
Pension Allowed:	75.00 %		52,197.24
Monthly Payment:	4,349.77		

Sullivan, Patrick
Emp. # 715743 / 990781
Union: HPU

	Years	Months	Days
Term of Service (including Sick Exchange):	38	0	0
Sick Exchange:	2	0	0
Grounds:	Service		
Effective Date:	April 2, 2016		
Average Salary:	Highest 3 out of last 5 years		\$ 72,508.92
	Final Base Pay		71,480.00
Pension Allowed:	75.00 %		54,381.72
Monthly Payment:	4,531.81		

III. Regular Retirements (continued)

			<u>AMOUNT</u>
<u>Vendetta, Jeffrey</u>			
Emp. # 942475 / 990775			
Union: Local 760			
	Years	Months	Days
Term of Service (including Sick Exchange):	25	0	0
Sick Exchange:	4	0	0
Grounds:	Service		
Effective Date:	March 10, 2016		
Average Salary:	Final Base Pay		\$ 83,045.99
Pension Allowed:	68.80 %		57,135.60
Monthly Payment:	4,761.30		

IV. 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>
172227	Davenport, Paul	03/27/2016	\$ 2,706.46	MERF
689459	Duncan, Minnie	03/05/2016	653.95	MERF
286508	Giggey, Herman	03/30/2016	1,269.36	MERF
296120	Goldstein, Benjamin	03/13/2016	2,554.82	PBF
845728	Jacobsen, Audrey	03/06/2016	135.92	MERF
307300	Jones, Hattie	03/01/2016	679.03	MERF
380246	Joseph, Jean	03/30/2016	990.07	MERF
980329	King, Agnes	03/17/2016	678.91	MERF
612201	Quinn, Rita	03/25/2016	766.92	MERF
699055	Starks, Edna	03/21/2016	1,487.84	MERF
749273	Wacht, Janet	03/15/2016	402.85	MERF

V. Request for Refunds of Pension Contributions

The following refunds of pension contributions were approved by consent vote:

<u>NAME</u>	<u>AMOUNT</u>
Alexandre, Henri	\$18,255.31
Camacho, Julio	2,392.84
Cobb, Lisette	5,677.56
Colbenson, Paul *	2,624.56
Cruz, Rosa *	47.42
Davis, Richard	1,707.28
Deleon, Yohanny	343.16
Fontiveros-Arroyo, Fanny*	175.98
Harriot, O'Shaya	1,701.19
Johnson, Dorothy *	974.12
Marrero, Maria *	854.75
Milling, Mellessa	15,244.80
Morales, Adriana	753.26
Myles, Prince Ann	456.08
Payne, Stacey	18.05
Poblete, Kaeleen	810.02
Roman, Maria	237.04
Sansom, Wordy	5,126.68
Scott, Lee **	234.75
Smith, Hubert ***	283.99
Smith, Steven	264.54
Vera, Sandra	7,865.50
Williams, Chelcey *	11.85

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

* Additional contributions or interest due to the member.

** Beneficiary of deceased terminated MERF member Frederick Scott

*** Beneficiary of deceased terminated MERF member Roye Smith

VI. Request for Refund of Contributions for Excess Purchased Service

The following amounts paid for additional pension service that was not able to be used in the pension calculation were approved by consent vote:

<u>Name</u>	<u>Amount Due:</u>	<u>Service Type</u>
Donahue, Holly	\$ 2,726.89	Military
Loos, Daniel	3,731.80	Qualified Non-City

VII. Service Purchases

Routine Service Purchases

The following individuals 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 per the consent vote.

<u>NAME</u>	<u>TYPE</u>	<u>AMOUNT</u>			<u>PURCHASE</u>
		<u>Years</u>	<u>Months</u>	<u>Days</u>	<u>PRICE</u>
Alicea, Jose	CMERS	5	8	21	\$ 5,977.43
Torres, Hector *	CMERS	8	8	1	24,442.36
Washington, Shante *	CMERS	15	2	4	22,713.40

*This individual elected payroll deduction.

VIII. Proposed Budget for Fiscal Year 2016-2017

Chairman Stevens introduced the item. Secretary Adam Cloud presented the budget for comments and review. Secretary Cloud noted that the budget was being presented in the same format as in the past with a few changes and asked Principal Administrative Analyst, J. Sean Antoine, to review the budget in more detail. Mr. Antoine stated that there were several edits to the budget, among those being the following:

- The benefit payment fund was removed from investment income and included in long term assets instead
- Master custodial fees were increased as a results of the addition of 6 new private equity accounts, as well as performance fees and active management fees
- Independent audit fees were increased

Secretary Cloud stated that independent audit fees had increased because it was in the best interest of the MERF to be audited by an outside firm. Secretary Cloud also stressed the high level of attention to detail needed. Chairman Stevens asked if there was anything in the bylaws. Secretary Cloud responded that Section 2-50 allowed the Commission to hire professionals, including an auditor. Chairman Stevens asked if the budgeted amount was appropriate. Secretary Cloud responded that he would not be sure until a Request For Proposal (RFP) was completed. Commissioner Frank Lord asked if the RFP would be presented to the Commission. Secretary Cloud responded that the RFP for an independent auditor would be like any other RFP and stated that he would like to execute the RFP before September.

Mr. Antoine continued the discussion of the budget and noted that staff had attempted to keep the budget flat given the City's financial issues. Mr. Antoine noted that the pension payments increased by 3% per the Commission's recommendation, and that administrative salaries increased by 3% as well to reflect the finance department salaries added as discussed at the March 2016 Commission meeting. Commissioner Gene Goldman asked why fringe benefits were 59% of payroll but actual fringe benefits were running below 59%. Plan Administrator Donna Parker noted that fringe rates change every year and there were salaries included in the budget but no fringe benefit costs were associated with these salaries. Commissioner Goldman noted that the budget had a placeholder for a salary for an attorney with no fringe costs.

Mr. Antoine discussed the goods and service portion of the budget and noted the increase for the earnings history file work that Secretary Cloud had mentioned earlier in the meeting. Mr. Antoine concluded by noting the MERF was projected to be under budget by \$23 million, which was consistent with the prior year due to a cushion for excess pension payments.

VIII. Proposed Budget for Fiscal Year 2016-2017

Chairman Stevens asked what the dues line item included. Mr. Antoine responded that this item included actuarial dues, Hartford Club dues and Conference of Institutional Investors (CII) fees among others. Secretary Cloud stated that staff had refrained from travel recently and prioritized which conferences were attended. Secretary Cloud also noted that with more managers there were more meetings to attend, but that staff would be judicious. Secretary Cloud also thanked Commissioner Frank Lord for attending the CII meetings on behalf of the Commission.

Secretary Cloud stated that the budget did not reflect the impact of the upcoming layoffs, and noted that employee contributions would be reduced with the layoffs which would mean less employee contributions coming into the plan. Chief Operating Officer Darrell Hill noted that the layoffs were expected to be effective prior to July 1, 2016 and asked for additional clarity regarding the City's pension contribution. Mr. Antoine responded that the finance department would true up the contribution in June. Mr. Hill asked if there would be an unexpected increase of \$2 million dollars as shown in the projection. Mr. Antoine responded that the projected figure shown was the amount as of February 29, 2016 annualized to June 30, 2016 and that after the true-up the actual contribution would closely match the budgeted figure and would only change based on actual payroll for the year. Mr. Hill stated that the City's ability to pay what was budgeted was a problem this year and wanted to ensure the pension contribution would remain at the budgeted amount since an additional \$2 million over the budgeted amount added additional stress to the fiscal crisis. Commissioner Gene Goldman asked that staff update the Commission on the City's contribution at the May meeting. Secretary Cloud responded that staff would track the amount and bring it to the Commission if there were any issues.

George Zoltowski from Management and Budget asked if the independent audit of the MERF would be completed by an accounting firm. Secretary Cloud confirmed this was the case. Chairman Stevens stated that the Commission needed to ensure that priorities were in the right place and that money was not spent unnecessarily. Commissioner Goldman asked what the bylaws said about expenses versus the fund amount. Mr. Antoine responded that the bylaws stated that expenses would not exceed 1% of the fund, which would be approximately \$10.3 million and budgeted expenses were \$3.45 million.

Chairman Stevens noted the quality of the budget presentation and that the presentation had improved from the prior year. Mr. Antoine responded that the Treasury Intern, Sandra Rivera, had done a lot of the work and had done a good job. Secretary Cloud stated that Ms. Rivera was a real asset to the Treasurer's office.

A motion was made, seconded and unanimously adopted to approve the 2016-2017 MERF budget as presented on April 29, 2016.

IX. Other Business

Chairman Stevens introduced the item. Secretary Adam Cloud stated that there were two items for discussion, with the first item being the Pension Resolution discussed at the March Commission meeting regarding a formal communication from the Commission to the Mayor regarding the Actuarially Determined Employer Contribution (ADEC). Secretary Cloud presented the resolution that laid out the contribution as a percentage of payroll and the dollar amount of the ADEC and further noted that the resolution had been reviewed by Assistant Corporation Counsel Lisa Silvestri. A discussion regarding the wording of the resolution to ensure there was no confusion ensued. The Commission determined that the following language should be added to the resolution: The ADEC shall be \$40,850,000 and was calculated using the percentages as listed above for the 2016/2017 fiscal year based on the projected payroll of \$151 million as shown in the July 1, 2015 valuation report.

Chief Operating Officer Darrell Hill stated that the Mayor and Council would include the contribution amount the Commission suggested in the budget, but there was some concern about the variability of the contribution amount given the difference between projected payroll and actual payroll. Mr. Hill requested that the amount that was included in the budget be the final amount that the City pays and that any variability would be captured in the next valuation. Commissioner Gene Goldman noted that the ADEC was based on the actuary's recommendation. Plan Administrator Donna Parker stated that Hooker and Holcombe had wanted a definite number and the City had suggested the percentage of payroll method. Commission Frank Lord noted that the percentage of payroll method allowed the City to allocate contributions to each department and that he personally preferred a flat figure. Commissioner Goldman agreed with Commissioner Lord on the condition that the methodology was consistent with Hooker and Holcombe's opinion. Secretary Cloud noted that this was a perfect conversation for the 5 year experience study and that the Commission would review this methodology change for possible implementation for the next fiscal year.

Mr. Hill expressed additional concern regarding the current language and the variability of the contribution amount. Secretary Cloud responded that variability was inherent in the methodology since the final contribution amount could not be finalized until actual payroll for the fiscal year was available and that the Commission would not be able to accommodate the request for certainty until the methodology was adjusted.

A motion was made, seconded and unanimously adopted to approve the pension resolution as modified.

IX. Other Business (continued)

Secretary Cloud welcomed Mayor Luke Bronin to the meeting and stated that the Mayor was in attendance to request that the Commission consider the purchase of tax liens by the MERF. Mayor Luke Bronin stated that the City periodically sells tax liens, which return 18% per year and that the 2016 budget included the sale of \$5 million in tax liens and the 2017 budget included the sale of \$4 million in tax liens. Mayor Bronin noted that selling the tax liens to the MERF was an opportunity for the City to sell the liens and receive revenue and also an opportunity to sell to a partner that had a similar interest in the impact on the community and the City.

Secretary Cloud reminded the Commission that it was the policy of the MERF to have third party asset managers and to refrain from investing in individual securities so as to not deal with the asset management component of investing. Secretary Cloud noted that he had not given the Mayor's proposal much consideration and did not know the administrative cost or the administrative process necessary to manage tax liens as an investment option. Secretary Cloud further noted that it was a public policy issue and did not want the MERF involved in or responsible for the outcome of someone's housing situation.

Chairman Steven asked the Mayor what the timeframe was for a decision. Mayor Bronin replied that a response would be needed in the next few weeks otherwise the tax liens for 2016 would need to go out for sale externally. Mayor Bronin noted that there was more time for a decision for the 2017 tax liens, but that an answer sooner rather than later would be preferable.

Commissioner Frank Lord stated that he had the same concerns as Secretary Cloud and that the Commission staff did not have the capacity or expertise currently to manage the sale of tax liens. Commissioner Lord also noted that this increased the probability of conflicts of interest between the Commission and impacted residents. Commissioner Lord pointed out that the Commission had no mechanism for determining a fair purchase price and asked the Mayor if there were any examples of other cities that had successfully completed such a transaction. Chief Operating Officer Darrell Hill responded that he was not aware of any other cities that had undertaken a transaction like this and that having the MERF purchase tax liens from the City was a creative idea and a way for the City to maintain control versus a third party. Mr. Hill also noted that a lien sale did not require foreclosure, but instead was a collection effort.

IX. Other Business (continued)

Mayor Bronin stated that the City could establish a trust to manage the liens to be administered by another City department or a third party within the City and partner with the Commission to help build and manage the mechanism for administration. Commissioner Gene Goldman asked Assistant Corporation Counsel Lisa Silvestri if there were any legal concerns. Attorney Silvestri stated that she would research the issue so she would be able to better advise the Commission. Commissioner Lord asked if the MERF would purchase the liens or if this would be in lieu of a portion of the City's contribution. Mayor Bronin responded that either scenario would work and that the industry usually pays a premium (1.01 or 1.02 on the dollar). Secretary Cloud stated that he would not pay a premium for tax liens. Mr. Hill added that properties included in the tax lien sale were filtered to exclude owner occupied properties, liens below \$1,000, properties owned by seniors and only included real estate liens. Chairman Stevens stated that the Commission would spend time to better understand the issue and would get back to the Mayor with a decision.

As a final item under Other Business, Plan Administrator Donna Parker noted that this meeting was Assistant Plan Administrator Rebecca Crowley's last meeting. Ms. Parker thanked Ms. Crowley for all of her hard work and wished Ms. Crowley the best in the future.

X. 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. Chairman Peter Stevens, Commissioner Frank Lord, Commissioner Gene Goldman, Secretary Adam Cloud, Assistant City Treasurer Carmen Sierra, Plan Administrator Donna Parker, Assistant Plan Administrator Rebecca Crowley, Assistant Corporation Council Lisa Silvestri, Kurt Cavanaugh, Firefighter and Carlo Marchetti, Firefighter were present during the executive session.

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

<u>NAME</u>	<u>UNION</u>	<u>QUALIFICATION</u>	<u>YEARS</u>	<u>AGE</u>
Cavanaugh, Kurt	Local 760	Service Connected Partial	31	53
Marchetti, Carlo	Local 760	Service Connected Partial	24	52

There being no further business, Chairman Stevens adjourned the Pension Administration portion of the meeting at 10:40 a.m.

Attest:



Adam M. Cloud, Secretary