

**OPEB COMMITTEE
City Conference Room
260 Constitution Plaza
Friday, June 26, 2015
9:00 a.m.**

MINUTES

OPEB TRUST

MEMBERS PRESENT: Peter Stevens, Chairman; Frank Lord; Gene Goldman; Nicholas Triglia, Employee Representative; Adam Cloud, Secretary; Darrell Hill, Chief Operating Officer (COO), Mayor's Designee; John Griffin, Executive Director, Superintendent's Representative

STAFF PRESENT: Donna Parker, Plan Administrator; Rebecca Crowley, 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; Terry Williams, Senior Administrative Assistant; Chelsea Mott, Accountant

OTHERS PRESENT: Richard Pokorski, Employee Benefits; George Zoltowski, Management and Budget

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

I. Introductions

Secretary Adam Cloud welcomed everyone and noted the meeting was the first official meeting of the OPEB Committee. Secretary Cloud stated that the OPEB Committee was comprised of the Pension Commission members plus two additional members, Darrell Hill, COO, designated by the Mayor's office and John Griffin, Executive Director, designated by the Superintendent's office. Secretary Cloud noted that Mr. Hill and Mr. Griffin were non-voting but critically important members of the Committee.

Secretary Cloud stated that the agenda for the meeting included an update on the Declaration of Trust led by Assistant Corporation Counsel Lisa Silvestri and the OPEB Roadmap led by Director of Investments Gary Draghi.

Secretary Cloud noted that a decision needed to be made as to the timing and scheduling of future Committee meetings. Secretary Cloud recommended that the OPEB Committee meet on the same days the Pension Commission meetings were scheduled, with the OPEB meeting to occur first and the Pension Commission meeting to follow.

II. Status of OPEB Trust

Secretary Cloud introduced the item. The Assistant Corporation Counsel, Lisa Silvestri, presented the Other Post-Employment Benefits Declaration of Trust. Attorney Silvestri stated that the Pension Commission, per City ordinance, was responsible for all retirement benefits and the Trustee was the Treasurer. Attorney Silvestri added that the OPEB relationship was similar to the pension relationship.

Attorney Silvestri stated that the Declaration of Trust, which outlined the fiduciary duties, empowered the trust to receive money and oversee the investment of assets, still needed to be signed by the Mayor but no changes were expected. Attorney Silvestri added that the Committee had the power to approve an investment policy, select investment managers, monitor performance, review contracts and report to the City. Attorney Silvestri noted that these were the same powers the Commission had for pension and that the OPEB Committee could only be terminated by a super majority vote of City Council.

Commissioner Frank Lord asked how cash flows for the OPEB Trust would be determined. Assistant Corporation Counsel Silvestri stated that employee contributions would need to be negotiated. Richard Pokorski from Employee Benefits stated that the City also needed to decide how to pay claims. Attorney Silvestri noted that unlike pension, OPEB claims were not steady and were difficult to predict. Executive Director John Griffin noted that the Board of Education's intent was to have money stay in the trust to grow and that any large claims should be paid by stop loss insurance.

Secretary Cloud stated that there were weekly meetings to discuss how to make the current health care provider process work within with the trust and that more conversations were needed on system capabilities and costs. Secretary Cloud added that a plan for handling cash flows would be brought to the Committee once resolved.

Commissioner Lord also asked if there would be one trust for the City and Board of Education. Attorney Silvestri stated that there would be one trust and that City and Board of Education funds would be tracked separately. Attorney Silvestri noted, however, that contributions would not be tracked separately by union. Commissioner Gene Goldman noted that if a split by union was wanted, the split needed to be done now because assets were difficult to split retroactively. COO Darrell Hill noted that a split by union would be overly burdensome.

III. Other Business - OPEB Roadmap

Director of Investments Gary Draghi stated that it would be a year until the trust was fully operational although timing could be shorter if work was done efficiently. Mr. Draghi noted the steps for June/July were already completed and the key next step was determining the investment structure and liquidity of that structure. Mr. Draghi added once the flow of funds was finalized, the Committee could move forward on the custodial front. Secretary Cloud noted that a Request for Information (RFI) should be sent out to providers so the Committee could measure costs and services.

Mr. Draghi stated that once the trust was official and funds were available, the money should be moved to a short term investment vehicle until a long term approach was decided upon. Commissioner Lord noted that maintenance of capital and liquidity was most important right now. Mr. Draghi noted that the principal would not be at risk.

Richard Pokorski asked if there would be a separate investment policy for the Board of Education versus the City. Secretary Cloud responded that a framework was not set up to cover the liability separately and the Board of Education money would not be moved into something different. Mr. Draghi added that the trust needed an actuary and once that firm was chosen an asset allocation study would be performed to determine how money should be allocated.

Secretary Cloud stated that the Pension Commission's general consultant (NEPC) would be asked to provide a recommended list of custodial advisors. Secretary Cloud added that NEPC had already vetted advisors and the Committee should rely on NEPC's research to narrow down the advisors considered. Secretary Cloud also stated that Segal was the current actuary and was in the second year of a two-year contract. Secretary Cloud noted that Segal would continue to provide services for the current year and then actuarial work would move to Hooker and Holcombe, the MERF's current pension actuary, next year.

Chairman Stevens noted that the RFI would only be for custodial services. Director of Investments Draghi noted that NEPC was the current advisor for pension and suggested that an addendum to the current NEPC contract be requested to engage them for the RFI. Commissioner Lord asked if it was possible to move the money before a custodian was chosen. Mr. Draghi responded that was possible and the money would be kept in a very low risk fund.

Mr. Pokorski asked if Segal would still perform the July 2015 valuation. Secretary Cloud responded yes because the City of Hartford was under contract with Segal. Mr. Griffin clarified that Segal did health care consulting in addition to the OPEB work. The Plan Administrator Donna Parker asked for clarification that Hooker and Holcombe would be doing a full valuation as of July 2016. Mr. Pokorski confirmed and added that Segal was doing an update as of July 2015 versus a full valuation.

Director of Investments Gary Draghi stated that service providers would be finalized in October/November. Chairman Stevens asked if finalizing service providers required three months of effort. Mr. Draghi noted that appropriate investments were likely simpler than pension and would likely be finalized sooner than October. Assistant Director of Investments Wayne Moore also noted that some other work could be done now. Secretary Cloud stated that the roadmap erred on the side that work would take longer but there could be short cuts, such as starting work on the investment policy statement now and contacting Hooker and Holcombe. Chairman Stevens noted that it was possible to have an August meeting if needed.

A motion was made, seconded and unanimously adopted to allow the Treasurer to engage Hooker and Holcombe's for the OPEB actuarial work, subject to negotiations.

A motion was made, seconded and unanimously adopted to create and issue a Request for Information for custodial services.

There being no further business, Chairman Stevens adjourned the OPEB Committee portion of the meeting at 9:55 a.m.

Attest:



Adam M. Cloud, Secretary