

JOINT RETIREMENT INVESTMENT BOARD SPECIAL MEETING

Wednesday, February 8, 2012

7:30 pm

First Floor Conference Room

Independence Hall-725 Old Post Road

Fairfield, CT 06824

FINAL MINUTES

Members Present: Robert Malarkey, Brian Vahey, Mike Tetreau, Erik Kalapir, Karl von Hardenberg, Rose Sandick, Scott Bartlett, Jean Sturges, Paul Hiller, Fred Schaefer

Members Absent: Geoff Mullen, Barry Rosen, Joe Rigoglioso, Don Bowers

Others Present: Liz Churney and Brian Middendor from Hooker & Holcombe, Inc., Ken Brachfeld, Jim Brown, Frank DeAngelo, Andy Darrow, David Becker

I. Call to Order

Chairman Bob Malarkey called the meeting to order at 7:30 pm.

II. Presentation and Discussion of the Experience Study with the Town's Pensions Plans, As Prepared by Hooker & Holcombe, Inc. and Adoption of Recommendations Presented Within the Study

Liz Churney of Hooker & Holcombe, Inc. discussed the Experience Study. She said it's a five year review of experience from 2006-2011. Three main assumptions are demographics, economic and valuation. She summarized the end result. She said the town's liability has gone down which is a reason the fund status is improving. Ms. Churney recommends using the proposed method which she described to the Board. Ms. Churney said the goal is to plan in improving in the funding status and to have a better measure of liabilities.

Ms. Churney discussed the three main factors starting with demographics and focused on retirement rates. Erik Kalapir noted this study goes back only five years and that period of time could be an anomaly. Ms. Churney said that is a good point. She then discussed turnover. Paul Hiller said paraprofessionals have the highest turnover rate. Ms. Churney discussed the mortality assumption, disability and survivorship. She said another reason liabilities are down is because of economic assumptions. Ms. Churney discussed the cost of living assumption and recommends bringing it to 2.5%. Mr. Kalapir said he looked at other indexes and saw a higher percentage and feels Ms. Churney is narrowing in too tight with no cushion. Ms. Churney discussed the cost method which is how the Town wants cost paid over time. She discussed two common methods—the Asset Valuation Method or entry-age assumption and the Actuarial Cost Method. The projected unit credit method is the actuarial cost method currently used by both plans. Ms. Churney suggests keeping that method. Ms. Churney also suggested switching to a 15-year period as a level dollar amount. Mr. Kalapir asked if entry age was considered as an option because liability could go up.

Ms. Churney discussed the expected return and said the current assumption is 8%. She recommends 7 ¾%. Mr. Malarkey asked why 7.5% isn't recommended. Ms. Churney said that's a decision for the Board to make. Mr. Kalapir is considering 7.25%. Ms. Churney said the Board needs to discuss the discount rate and amortization method.

Brian Vahey said EAI's numbers were higher at 7.54%. He wouldn't recommend going above 7% or 7.25% and prefers a lower number. Ms. Churney discussed savings and increases to the contribution depending on what rate is determined. There would be a savings of \$3 million at 7 ¾ %; 7.5% takes out \$1.8 of that decrease. First Selectman Tetreau said at 7.5%, the total contribution is \$5.1 million. Mr. Kalapir said he is comfortable with 7.5% with the entry age method. Mr. Vahey recommends a rate of 7.5% using the entry age method. Mr. Malarkey said a discount rate of 7.5% is fine with him. First Selectman Tetreau discussed the rates in relation to the budget.

Mr. Malarkey opened up the discussion to public comment. BOF member Ken Brachfeld all drivers made the liability side a better result because of the bad economy. He said to focus on what's best for the pension funds. RTM Majority Leader David Becker said the Board's decision should be independent of the budget. He is concerned with the rate target and said there should be a cushion in the fund now, not later.

Mr. Vahey made a motion to accept the recommendations on cost and the liability side as presented in the Experience Study and recommends moving to a discount rate of 7.5% over a period of two years. Mr. Hiller seconded the motion. Mr. Vahey made an amendment to the motion to use the entry age assumption. Mr. Hiller seconded the amendment which carried unanimously. The main motion, as amended, carried unanimously.

III. Adjourn

Jean Sturges made a motion to adjourn the meeting at 9:29 pm. Rose Sandick seconded the motion which carried unanimously.

Respectfully submitted,

Jennifer S. Carpenter
Recording Secretary