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(Unapproved Minutes)

Pension Board Regular Meeting

Town of Orange, Connecticut

Meeting Room – Town Hall

August 16, 2018 – 7:00 p.m.

ATTENDANCE

Board Members Present: Chairman Eric Hendlin, Barbara Miller, and Mitchell Goldblatt

Board Members Absent: Ryan DePolo and Paul Dinice

Staff: John Cifarelli, Finance Director; Deborah Satonick, Recording Secretary

Guests: Chris Kachmer, Fiduciary Investment Advisors; Michelle L. Boyes, Milliman

Chairman Eric Hendlin called the August 16, 2018 Pension Board meeting to order at 7:00 p.m.

1. Public Participation

- There was no public participation at this time.

2. Review and Approve Minutes – May 17, 2018

- The Board members reviewed the May 17, 2018 Pension Board minutes and made revisions as needed.

*Mr. Goldblatt made a motion to approve the amended May seventeenth, 2018 Pension Board minutes, seconded by Ms. Miller. All were in favor and the motion **PASSED**.*

3. Actuarial Presentation – Michelle L. Boyles, Milliman

- Ms. Boyles delivered the annual actuarial presentation to the Board members. As both the Town and Police plans are frozen, their membership is decreasing. Ms. Boyles reported that both plans had good asset returns for the fiscal year of 2017 to January 2018.
- Ms. Boyles presented specific details about each of the plans – active, retired, and deceased members, average age of retirement, average active service years, and more. She also reminded the Board that market value gains and losses are recognized over a five-year period.
- Chairman Hendlin inquired if funds from one plan can be transferred to the other, and Ms. Boyles advised that unless the two plans are merged, this is not possible. The investment

income for the Town Plan for the fiscal year of 2017-2018 was \$1,094,421 and the Police Plan was \$2,336,503. The actuarial loss reported for the Town Plan was \$13,787 and the Police Plan was \$19,416. This actuarial loss is due to the assumed rate of return being set at 7%. Currently, the Town Plan is 75% funded and the Police Plan is 63% funded.

Mr. Goldblatt made a motion to approve and accept the Actuarial Report as presented by Ms. Boyles. Mr. Miller seconded the motion, and all were in favor. The motion PASSED.

4. **Discussion and Vote of Possible Rate Assumption**

- Ms. Boyles recommended that the assumed rate of return be changed to 6.75%. Mr. Goldblatt inquired about other municipalities, and Ms. Boyles advised that most other towns have made this change. Ms. Boyles also suggested that the amortization period should stop after ten years, and suggested this topic be discussed next year.

Goldblatt made a motion to change the assumed rate of return from 7% to 6.75%. Ms. Miller seconded the motion, and all were in favor. The motion PASSED.

5. **Quarterly Investment Results from June 30, 2018 – Chris Kachmer**

- Mr. Kachmer stated that the focus of the first quarter is investment review and he included a copy of the Investment Policy Statement in his handout.
- While the fiscal year of 2017 was a good year for investments, the first quarter of 2018 was marked by trade wars and retaliatory tariffs. U.S. equity markets maintained a better performance over their international counterparts and small caps did better than large caps.
- Mr. Kachmer reviewed the S & P Sector returns, with technology and energy taking the lead. Mr. Kachmer had no recommended changes in the asset allocation and noted that all of the managers are on “maintain” status.
- There was a discussion about incorporating global bonds into the 38% asset allocation of fixed income. Mr. Kachmer presented three choices and recommended Brandywine Global should the Board decide to add global bonds to the pension portfolio. He felt that Brandywine Global would offer the best fit for the Town and Police Pension Plan based on their long-term performance. It was also noted that Stephen Smith has led Brandywine Global team since its inception in 1992.
- As the 38% asset allocation for fixed income should not be altered by adding Brandywine Global, the Board members discussed reducing the asset allocation of Metropolitan West Total Return, Western Asset Core Plus, and BlackRock Strategic Income Opportunities.

Ms. Miller made a motion to revise the asset allocation of fixed income without changing the current overall allocation of 38%. Mr. Goldblatt seconded the motion and all were in favor. The motion PASSED.

Ms. Miller made a motion to add Brandywine Global at 5% target allocation under fixed income, and reducing Metropolitan West Total Return Bond by 2%, Western Asset core Plus Bond by 2%, and BlackRock Strategic Income Opportunities by 1%. Mr. Goldblatt seconded the motion and all were in favor. The motion PASSED.

Mr. Goldblatt made a motion to add a second reference Benchmark Index of “FTSE WGBI TR USD” on the Investment Policy Statement. Ms. Miller seconded the motion and all were in favor. The motion PASSED.

6. New Business

- The Board members discussed the 401a retirement plan in great detail. Finance Director Mr. Cifarelli noted that Pam Giunti, from Mutual of America, would be visiting Town Hall to meet with individual members to discuss their 401a plan within the next few months.
- Mr. Goldblatt expressed his opinion on the importance of all new recruiting police officers joining the 401a plan. Different options of auto enrollment were also discussed in great detail.

7. Adjournment

Ms. Miller moved to adjourn the meeting at 8:55 p.m., seconded by Mr. Goldblatt. All were in favor and the motion PASSED.

Respectfully Submitted,

Deborah Satonick,
Recording Secretary