MEETING OF THE GENERAL

GOVERNMENT RETIREMENT BOARD

April 8, 2021

A Regular meeting of the General Government Retirement Board was held on **April 8, 2021 at 5:00 p.m.** in the City Council Chambers at City Hall, Bristol, CT. Members present: Chairman Tom Barnes, Jr., Mayor Ellen Zoppo Sassu, Vice Chairman David Preleski, Comptroller Diane M. Waldron, Commissioners Orlando Calfe, Peter Dauphinais, Paul Keegan, Rose Parenti, and William Veits. Absent: Commissioner's David Butkus, Thomas DeNoto, Frank Rossi.

Also present: John Oliver Beirne and John Beirne from Beirne Wealth Consulting, and Rebecca Sielman from Milliman.

1. **Call to Order**.

Pledge of Allegiance

The meeting was called to order at 5:00 p.m. by Chairman Tom Barnes Jr.

2. **Item 2 – Public Participation**

None.

3. **Item 3 - Minutes for the Regular meeting of March 11, 2021 were approved.**

A motion was made by Commissioner Keegan and seconded by Commissioner Veits and it was unanimously voted to:

> "Approve the minutes of the Regular General Government Retirement Board meeting of March 11, 2021 and place them on file."

4. **Item 4 - Treasurer's report March 2021**

A motion was made by Commissioner Keegan and seconded by Vice Chairman Preleski and it was unanimously voted to:

> "Accept the Treasurer's Report for March 2021 and place it on file."

5. **Item 5 – Consideration to approve the Treasurer's request for pension withdrawals each month from May 1, 2021 through October 1, 2021.**

A motion was made by Commissioner Dauphinais and seconded by Commissioner Keegan and it was unanimously voted to:

> "Consider the request to approve the Treasurer's Pension Withdrawals each month from May 1, 2021 through October 1, 2021 in the amount of $2,240,000.00 per month."

6. **Item 6– Review of July 1, 2020 Milliman Actuarial Valuation.**

Rebecca Sielman, of Milliman, presented the July 1, 2020 Actuarial Valuation to the board. The membership details of the plan were updated as of January 1, 2020 and plan changes from the previous years were analyzed. As of January 2020, the city reported 948 active members which is down slightly from the previous year. Forty five employees terminated employment throughout the year and 41 active members retired and started collecting pension benefits. No active members went out on disability retirement. Between retirees and active employees there were 29 deaths which was a lower number than expected, and increased the anticipated liabilities of the pension plan. Given all of the changes to the membership, the liabilities relatively balanced out and came in close to where it was targeted.

The majority of active members of the plan are City and Board of Education employees but also include Police and Fire employees. The average age of active members is 47.8 with more than ten years of service and an average pay of $56,600.00. Given that there are a considerable number of active members that are eligible for retirement, it is expected that there will be significant retirement activity over the next couple years. There are 750 individuals that are retired and collecting pension checks. There are 23 disabled retirees and 71 beneficiaries.

Ms. Sielman discussed the plan's assets and explained that from 2019 to 2020 there was a lot of movement. Specifically, the first quarter of 2020 was low performing as markets dropped but recovered pretty significantly by June. Despite the recovery, the plan still fell short of the long term assumption especially in comparisons to the last five years. When measuring the plan's funded status, Milliman uses a smoothing mechanism to dampen the impacts of market ups and downs. Because the past four years have had more losses than gains, the actuarial value shows approximately $30 million of market losses not yet recognized and scheduled to be phased in over the next 3 years. Member contributions accounted for $2.5 million in income to the plan. Conversely, the plan paid out slightly more than $27 million in benefits. Investment income totaled about $11.4 million and the plan paid out approximately $400,000 in administrative expenses.

Based on the averages of the interest rate assumption evaluation, it is expected that the returns will be in the neighborhood of 6.6%. The City's investment consultants can also provide an estimate of any additional expected investment returns that may increase the interest rate assumption. The next formal experience study will include similar analysis and is expected to show a recommendation of a 20-25 basis point reduction in the interest rate assumption.

The current liability amount of the plan is about $499.8 million which is up slightly from 2019 as expected. The turnovers/retirements experienced and the lower number of deaths than expected relatively balanced each other out in terms of the liability changes to the plan. An external factor that impacted the liabilities were the plan changes that were bargained with city unions. The majority of the plan changes in the new union contracts applied only to new employees so the effect of those changes do not have a significant impact on the current valuation. There was an approximately $11 million increase in liabilities due to assumption changes. A pattern that has been emerging over the last few years is that more of the liability is for the members in pay status, which is very typical of a plan that has been around as long as the City's plan has. As of July 1, 2020 the plan had a surplus of assets to liabilities amounting $170.7 million and the plan currently stands at 134.2% funded. Over the past five years this surplus has been shrinking due to liabilities outnumbering assets. In addition, due to the plans overfunding, the City has not been making yearly contributions. Taking into account the cost of the benefits being paid to pensioners and contributions that active employees are making the normal cost of the pension plan is approximately $9.8 million.

Milliman runs a long range forecast to get an idea of where the numbers are heading in the future. The forecast assumes an investment return of 7% each year and that plan members terminate employment/retire when expected. Given these assumptions there is a considerable period where the plan looks to be comfortably over funded without city contributions. About 10-12 years down the road is when it appears the surplus will dip to a level where the city should start considering making their contributions to the plan

The Plan is due for an updated experience study. Ms. Sielman explained that they will be looking into a new interest rate assumption and updated mortality tables that were constructed with a focus on public pension plans. Analysis will also include actual turnover, retirement, and pay growth patterns compared to assumptions. Depending on the results of the study there may be recommendations to update the assumptions accordingly.

Commissioner Calfe and Commissioner Veits excused themselves from the meeting at 5:30 pm.

7. Item 7 – Investment Review – Beirne Wealth Consulting, LLC.

- **General Retirement Fund**

John Oliver Beirne provided and overview of the portfolio. The value of the portfolio is $757,017,290. There were favorable returns over the past quarter. There has been a big shift in the change of growth to value from 9% to 11%. As the economy has reopened there has been improvement in the industrial, oil, and gas financials. The portfolio is currently at its highest value. From the end of 2019 to now, the portfolio has increased by $70 million or 40%. The long term decisions of the board have helped create a portfolio that is able to weather the storm, which is evident through its performance throughout the pandemic. The credit portion of the portfolio was where it took some hits over the last year, however it is on track to exceed the 7% benchmark at June 30th. The equity portion of the portfolio has been performing well and has performed about 10% higher than the benchmark. Chairman Barnes asked if Beirne Wealth had any conversations with Hietman because they haven't invested any capital. John Oliver explained that they had planned on making several investments pre Covid-19 and those plans were put on hold due to the pandemic. There is no update on the Corrum investment.

John Beirne addressed the commission and provided an overview of the market. There is a common perception that there will be high amounts of inflation in the next 3-4 years which would not be good for high quality bonds but would be beneficial for economically sensitive bonds. There has been a big swing in the last five months in terms of growth. The market is fairly stable right now. We've seen high valuations which will likely lead to lower returns in the future. The Federal Reserve is saying that there will be temporary inflation but it won't last very long.

- **OPEB Fund**

John Oliver Bernie provided an overview of the OPEB Fund. This portfolio has been managed in a heavy bond like fashion for the past 7-8 years. The asset allocation has been modified in the last year to be more balanced towards equities as opposed to having a high fixed income approach. Today the account sits at about $14.2 million and is missing about 13% of the portfolio pricing. Much of the assets are in publicly traded equities and fixed incomes. Pricing is missing on the real estate, private equity, and some of the other alternatives, but is predicted to come in at good rates.

8. Item 8 –Update on Advisor RFP Process

Chairman Barnes and Comptroller Waldron informed the committee that all of the responses to the RFP are in and a meeting will be scheduled on Wednesday April 14, 2021 to discuss the results with Hooker & Holcombe and the committee.

9. Item 9- Any other business proper to come before meeting.

A motion was made by Commissioner Parenti and seconded by Commissioner Keegan and it was unanimously voted to:

"Add the Beirne Wealth fees for 4/1 – 6/30/21 for the Retirement Fund and the OPEB Fund to the agenda."

A motion was made by Commissioner Parenti and seconded by Commissioner Keegan and it was unanimously voted to:

"Authorize Beirne Wealth fees for 4/1 – 6/30/21 for the Retirement Fund in the amount of $340,558.92 and the OPEB Fund in the amount of $7,799.10."

A motion was made by Commissioner Parenti and seconded by Commissioner Keegan and unanimously voted to:

"Add the communication received regarding Edward Spyros' Retirement Request and Corporation Counsel Response to the agenda."

The new Police contract increased the sick payout factored into police retiree pension benefits calculation from 25% to 40%. Captain Spyros was not a member of the bargaining union but requested that his retirement be recalculated to include the 40% sick payout. Corporation Council reviewed the matter and sent a letter to the Retirement Board recommending that the ordinance does not provide non-bargaining members of the police department to follow the contract.

A motion was made by Commissioner Parenti and seconded by Commissioner Keegan and unanimously voted to:

"Place on file communication received regarding Edward Spyros' Retirement Request and Corporation Counsel Response."

10. Item 10 – Adjournment.

At 5:59 p.m. a motion was made by Vice Chairman Preleski and seconded by Commissioner Keegan and it was unanimously voted to: "Adjourn."

Diane M. Waldron

Diane M. Waldron
Comptroller and Secretary, Retirement Board