

From: SimsburyCT Postings August 22, 2012 1:08:01 PM  
Subject: Board of Finance Minutes 07/17/2012  
To: SimsburyCT\_FinanceMin  
Cc:

BOARD OF FINANCE  
REGULAR MEETING - 6:00 PM  
JULY 17, 2012

#### CALL TO ORDER

Paul Henault, Chairman, called a regular meeting of the Board of Finance to order at 6:00 P.M. on Tuesday, July 17, 2012 in the Main Meeting Room at the Town Offices, 933 Hopmeadow Street, Simsbury, CT. The following members were also present: Peter Askham, Jeff Blumenthal, Nicholas Mason, Kevin North, and Barbara Petitjean. Also present were Mary Glassman, First Selectman, Mary Ann Harris, Finance Director/Treasurer, Burke LaClair, Board of Education Business Manager, Leslie Faraci, Commissions Clerk and other interested parties.

Mr. Henault mentioned that the primary purpose for this meeting is to discuss the subject of Pensions.

#### I. APPROVE MINUTES - June 19, 2012

Ms. Petitjean made a motion to approve the minutes of the June 19, 2012 Regular Meeting as presented. The motion was seconded by Mr. North and was unanimously passed.

#### II. INTERDEPARTMENTAL TRANSFERS

Ms. Harris announced the Board of Selectmen had approved the Interdepartmental Transfers which now is forwarded on to the Board of Finance for approval. Mr. Henault started by asking Ms. Harris some questions about the Intradepartmental Transfers. They discussed the topic of "Bank Fees" that were listed on the list of Intradepartmental Transfers. Ms. Harris described these credit card fees and explained where and why they appear on the list. These credit card charges were discussed further by Ms. Glassman, Ms. Harris and the Board members. A few other specific transfers were discussed between Mr. Askham and Ms. Glassman. The Board of Selectmen budget surplus of and estimated \$175,000 was discussed briefly.

Mr. North made a motion to approve the Interdepartmental Transfers presented. The motion was seconded by Mr. Mason and was unanimously

approved.

#### IV. FEMA UPDATE

Ms. Harris informed the Board members they still haven't hear anything new as of yet. She said they will let the Board know when they do hear any updated information. Ms. Harris said it is very likely that Simsbury will be getting the reimbursement in stages and FEMA is actively working on it now. Ms. Glassman told the Board that they do expect to hear back this week and that all communications indicate they have not found anything out of the ordinary. Ms. Harris said their previous projections of reimbursement remain the same, as there have been no concerns expressed by FEMA to date.

#### IV. PENSIONS

Mr. Henault stated that the purpose of this meeting is to have an in-depth discussion on Pension Plans. He continued by providing an update on the discussions from the Pension Plan Subcommittee. Mr. Henault said they had Rebecca Sielman, Milliman, in attendance, as well as Chris Kachmar, Fiduciary Investment Advisors, LLC (FIA). Mr. Henault spoke of some of the recommendations from Ms. Sielman regarding the investment return rate (currently using 7.75% as an estimated investment return). Mr. Henault said Ms. Sielman is saying we should probably be down to 7.25%. Mr. Henault said he was initially thinking they should be working their way down to 6.5% over a period of five (5) years and evaluating along the way. Mr. Henault also mentioned the recommendation, by Ms. Sielman, of conducting a study of the investment assumptions in order to allow a deep analysis of the Pension Plans. The subcommittee, Mr. Henault said, has recommended to the Board of Selectmen the funding of \$30,000 for that study, to be taken out of the Plan Assets. Mr. Henault also mentioned the drafting of a new Pension Investment Policy and invited the Board members to take a look at the draft and provide feedback. Mr. Henault turned the discussion over to Mr. Mason at this point, who is also a member of the Pension Subcommittee. Mr. Mason discussed the reasons Ms. Sielman suggested the study and what it could ultimately accomplish. He mentioned the three other assumptions that will be key elements to be thoroughly reviewed (1. Annual Pay Increase of 4% currently used, 2. Employee Turnover Rate, 3. What is happening with actual retirements). With regards to Mr. Kachmar, FIA, Mr. Mason said some of the committee members were concerned that FIA's recommendations might be self-serving. Mr. Mason said the subcommittee spent very little time discussing the Investment Policy, as they ran out of time.

Ms. Glassman addressed the Board by saying how important it is that the Town meet their obligations to its retirees. She said it is everyone's responsibility to figure out how it will be fully-funded moving forward. Ms. Glassman said she would take the Board of Finance's input back to the Board of Selectmen and there will be difficult choices to be made going forward, as these are big numbers they are working with.

Mr. Askham reviewed the funding percentage and said that while the market has come back to where it was, we are still underfunded compared to where it was. He also mentioned increased liabilities. Mr. Askham questioned why it will cost \$30,000 to do the assumptions study when they should already have that information. He expressed his concern with Defined Benefits Plan, saying they are very complicated and stated that Defined Contribution Plans are much more straightforward. Mr. Askham said he would feel comfortable moving towards a Defined Contribution Plans, even if with only new employees. He acknowledged the old plan needs to be dealt with, but going forward it would be prudent to move towards a Defined Contribution Plan. Mr. Askham closed by saying it is the Board's job to make sure the obligations are fully-funded, but he wants to know exactly what the numbers will look like.

Mr. North said without good, solid information at hand, the cost of these benefits are not really known, and he is also distressed with the fact that there are still two (2) investment managers/consultants being paid.

Ms. Harris spoke about how the unfunded liability will go up if we drop our interest rate assumption, so that would need to be calculated in order to come up with the true cost of the plan. Ms. Harris also explained that the study cost is \$10,000/unit (General Government, Board of Education & Police) and it would include an OPEB piece as well.

Mr. Blumenthal asked who is on the Pension Subcommittee and asked if the expertise of the Simsbury Citizens is being tapped into. Mr. Blumenthal spoke of the depth of knowledge and sophistication of people in Simsbury that could be utilized to help with this topic. He said he is troubled with the idea of paying \$30,000 to Millman, who does this everyday as their business and should already have this information at hand.

Ms. Petitjean asked when was the last time we competitively bid our actuarial services and asked if this is a time to consider going out to the market. Mr. Henault stated he does not think Milliman is the issue and that we do not have to do the study. The topic of the Assumptions Study was discussed further by Mr. Blumenthal and Mr. Mason. Mr. North said any time we would consider a \$30,000 consulting assignment, it would be put out to bid. He continued by saying he thinks the money could be well spent in order to help drill down to produce more accurate information, but it should be confirmed we are getting a competitive quote.

Mr. LaClair, staff support to the Pension Subcommittee, said they are looking to get the votes needed to move forward with the Open Architecture Platform, in order to decrease the managers from about 40 to 12. This means, Mr. LaClair continued, there would no longer be multiple paid

consultants. He explained the long process that has occurred in order to get to this point. He also said this Assumptions Study is a best-practice and while he agrees they need to make sure they are getting a good value for the cost, he does not think going out to bid is the best idea. Ms. Petitjean if they do not go out to bid, they need to make absolutely sure it is a competitive price. Mr. Askham said if we do the study, we will be able to take control of the assumptions information. The rate of investment return was discussed again by the Board members. Mr. Blumenthal again expressed his concern with paying \$30,000 for the Assumptions Study and suggested possibly collaborating with other municipalities in order to cut costs. Mr. Mason said while he agrees the cost of the study should be looked at, he is reluctant to stretch out the process even further. The process of cost comparison and the approval of the study was discussed. Ms. Petitjean said again she thinks it is their obligation to make sure they are spending the tax payer's money wisely and that going out to bid does not have to be a time consuming process.

#### V. DRAFT 2012 PENSION INVESTMENT POLICY

Mr. Mason said he would like to defer this topic until the Pension Subcommittee has had a chance to look at the policy, as he has issues with the draft. Mr. Henault asked the Board members to look at it and pass along their comments to himself and Mr. Mason.

#### VI. OTHER BUSINESS

Mr. Askham said he is the representative for the Board of Finance on the Business Development Committee and he said they are considering revising their policy on new construction, so they are looking at other Towns in order to gather information and deal with any process issues.

The ongoing process of reevaluation was discussed.

Ms. Petitjean requested that they keep the topic of policies and procedures on the Agenda and requested a subcommittee be formed to address the topic in more depth.

Mr. North moved to adjourn the Regular Meeting of the Board of Finance at 7:16PM. The motion was seconded by Ms. Petitjean and passed unanimously.

Respectfully submitted,

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Paul Henault, Chairman  
Commissions Clerk

Leslie U. Faraci,

