

From: SimsburyCT Postings September 18, 2009 3:24:11 PM
Subject: Board of Finance Minutes 09/15/2009
To: SimsburyCT_FinanceMin
Cc:

BOARD OF FINANCE
SEPTEMBER 15, 2009
REGULAR MEETING

1. CALL TO ORDER

The Regular Meeting of the Board of Finance was called to order at 6:00 P.M. in the Main Meeting Room of the Simsbury Town Offices. The following members were present: Peter Askham, Candace Fitzpatrick, Nicholas Mason, Anita Mielert and Kevin North. Also present were Director of Finance Kevin Kane and other interested parties.

2. MINUTES

Ms. Fitzpatrick made a motion to approve the minutes of the August 18, 2009 Special Meeting. Mr. Mason seconded the motion and it passed 4-0 (Mr. North abstained).

3. BOARD OF EDUCATION 2008/09 BUDGET FINAL REPORT

David Holden, Board of Education Business Manager, distributed a written "2008/09 Financial Report". He indicated to the Board that there were no changes to the verbal summation that he had provided to them at their last meeting.

4. PENSION COMMITTEE - UPDATE

Mr. Askham asked Mr. Mason to provide an update on the current condition of the pension plans. Mr. Kane distributed a copy of an e-mail from Becky Sielman from Milliman to the Board which provided some very preliminary estimates relative to the 2010 and 2011 pension contributions. Mr. Mason stated that the total pension values dipped from approximately \$40 million to approximately \$27 million during the economic downturn and are now currently back in the \$30 million range.

Mr. Mason stated that, at their last meeting, the Pension Committee spent a great deal of time discussing the investment policy with Chris Kashmir from

Fiduciary Investment Advisors, the investment advisor for the OPEB fund. The current policy was put in place in 1992 and was subsequently updated in 1995 and there have been no updates subsequent to that time. He predicted that the investment policy for the pensions will undergo a comprehensive revision and expected that the Committee would be reviewing a draft at their next quarterly meeting on November 18, 2009.

Mr. North questioned if an independent consultant would be used to develop the investment policy. Mr. Kane stated that the Pension Committee felt that it needed some expertise in making the policy current as well as simplified. Mr. Mason and Mr. North felt that it was an issue that the current investment policy was not being enforced by the current investment manager of the managers. Mr. Kane thought that this situation may have occurred due to personnel roll-overs at Russell Investments.

Mr. Mason stated that the Board of Selectmen and the Board of Finance will need to be involved in the final draft. Mr. North stated that it has been an ongoing area of concern for him, particularly after Mr. Mason's report, that the Board of Finance should be receiving regular reports on the policies and performances of these portfolios, as the funding of the obligations to the beneficiaries is one of the Town's largest liabilities and is directly dependent upon a professional approach to investment management. Mr. Mason also noted that the current investment policy requires that quarterly reports be made to the Board of Selectmen, which is not currently being done. He felt that there needed to be a discussion about moving from active to passive management.

Mr. Askham suggested that the Board members try to attend the Pension Committee's next meeting. He also thought that the actuarial preliminary estimates are based on old census data and some of the assumptions might be changed. Mr. Kane indicated that the assumed rate of return for the estimates was 7.75%. Mr. North stated that this rate is entirely dependent upon the underlying investment policy and portfolio mix and should be driven by the investment advisor, not the actuary, noting that the GASB funds currently use a 7.5% assumed rate of return. Mr. Kane indicated that the Milliman representative could review updated numbers with the Board at their October meeting. Ms. Mielert stated that she would be interested in some possible scenarios for smoothing out the gains and losses within future budgets. Mr. North noted that the estimated numbers provided by the actuary are just amortizing the current loss. The Board concurred that they would like a representative of the Town's actuary to attend their October meeting.

Mr. North asked if it would be feasible for the Pension Committee to meet prior to their scheduled November 18th meeting so that they could report to the Board of Finance at their November 17th Regular meeting. The Board

concurred that this request should be forwarded to the Pension Committee.

5. 2009/2010 BUDGET TIMELINE

Mr. Kane distributed a tentative "Operating Budget Calendar" and "Capital Approval Time Table" as well as a "Draft Calendar for Board of Finance Regular Scheduled Meetings for Calendar Year 2010" to the Board members. Mr. Askham noted that holding a pre-budget Public Hearing has been a practice that has been followed for the last two years and should be continued. He felt the Board should aim towards setting the date for this Public Hearing at their next meeting.

6. OTHER BUSINESS

Mr. Kane distributed two other items to the Board members pertaining to issues that would impact the upcoming budget in addition to the pension obligations previously discussed: "Statutory Formula – Grants FY 2009/10", comparing Town budgeted grant revenue with actual projected State grants, and "Elderly Tax Relief Comparison 2005, 2006, 2007 and 2008 grand lists", analyzing the reduction in tax revenue which resulted from elderly tax relief provided by the Town and the State in those respective years.

Mr. Kane noted that, although current year projected revenues will most likely be received from the State, future years look grim. Mr. Askham added that there should be additional discussions around projected State revenues vs. funds that are actually received, as often these amounts are not one and the same, which will be of particular concern in view of the State's current fiscal crisis.

Mr. Askham noted that major concerns in last year's budget were a reduction in the grand list, loss of investment income and uncertain State funding. This year those same concerns will remain, only the dollar amounts involved will be worse. Mr. North concurred, adding that the reduction in sales tax revenue for the State could be a 4-5 year trend. Coupled with the loss of investment income and income tax revenue being experienced by the State, it would stand to reason that Town revenue from the State is of great concern since the Town is very dependent upon State revenues. He felt that it is important for the Town (and its three Boards) to re-iterate their support this year for the Consortium and its goals towards seeking relief from such items as unfunded mandates, binding arbitration and prevailing wages.

The Board discussed the importance of elderly tax relief in light of the 0% COLA increase in Social Security benefits. Mr. Askham noted that the elderly tax relief analysis provided by Mr. Kane indicates that more people are qualifying and taking advantage of this benefit as the economy takes its toll on our seniors.

Mr. Mason and Ms. Fitzpatrick asked that a follow up be made with the Board of Selectmen relative to the Board's suggestion (made at their October 21, 2008 meeting) that they make a motion that the Tax Collector and Assessor be allowed to eliminate small tax bills and refunds under \$5.00.

7. ADJOURNMENT

Mr. Mason made a motion to adjourn the meeting at 6:45 P.M. Mr. North seconded the motion and it passed 5-0.

Peter Askham, Acting Chairman

Debra L. Sweeney, Clerk