

**Board of Finance
TOWN OF SIMSBURY, CONNECTICUT
REGULAR MEETING MINUTES
Tuesday, February 15, 2022, at 5:45 P.M.
Simsbury Community Television Live Stream**

PRESENT:

Lisa Heavner, Arthur House, Derek Peterson, Mike Doyle, Robert Helfand and Linda Schofield.

ALSO PRESENT:

Amy Meriwether, Director of Finance; Maria Capriola, Town Manager; Kelsey Chamberlain, Deputy Finance Director; Wendy Mackstutis, First Selectman; Susan Salina, Board of Education Chair; Jenn Castelhana, Milliman; Chris Kachmar, Fiduciary Investment Advisors; Tyler Polk, Fiduciary Investment Advisors, and Tim Hasselman, Lockton Companies.

1. Call to Order - Establish Quorum

Ms. Heavner called the meeting to order at 5:48 P.M.

2. Pledge of Allegiance

All present stood for the Pledge of Allegiance.

3. Presentation: Fiduciary Investment Advisors/Milliman

Mr. Kachmar presented on the fourth quarter pension plan investment portfolio. He showed the asset allocations for the Town Pension Plan, Board of Education plan and Police Plan. He stated they are running by and large close to target. For the 4th quarter the combined plans returned a 4.1% return which is above the benchmark and are performing well. He showed the OPEB Trust numbers were also good and in line with the benchmarks.

Ms. Heavner asked about liquidity needs, and Mr. Kachmar stated the objective is to have between 2-3 months of liquidity which is industry standard.

Mr. Kachmar presented the 10- and 20-year outlook numbers and said the current mix with their latest assumptions equates to an annual return of about 6.9% per annum which is about 2% lower than past years. He mentioned that the allocations for the pension plans are plotting well, and the standing allocations are in good working order.

There was discussion around the interest rate assumption, allocations and returns. Ms. Castelhana spoke to an updated asset allocation analysis with revised capital market assumptions which resulted in a return assumption of around 6.7% long term. This compares to Mr. Kachmar's 6.9% assumption and the current interest rate assumption of 6.625% which is right on target. She stated the current interest assumption rate is good and sound to move forward based on their recent analysis. There followed a discussion around these numbers and Mr. Helfand asked for the advantages of lowering the interest assumption rate or making additional contributions as if the interest assumption rate had been lowered.

Ms. Castelhana stated the Town and Board of Education pension plans are around 70% funded as of July 1st, 2021, and the police plan is around 80% funded. She stated this is up from last

year primarily due to strong investment returns in FY21 and is in line with the town's peers, or ahead of some of them.

Mr. Peterson expressed his thoughts on staying at the same interest assumption rate or possibly moving to 6.5%. Ms. Castelhana said the numbers are fluid and they could do a combination of a small decrease in the interest rate assumption to around 6.5% and possibly reduce the amortization growth rate from 3.5% to 3%. Ms. Schofield supported Mr. Peterson's point and said if we are going to lower the rate at all it should be this year. Ms. Heavner asked how the experience study could change some of the recommendations and Ms. Castelhana said in her experience it tends to increase liabilities more than it decreases them. Ms. Meriwether and Ms. Castelhana will work together to come up with possible new recommendations.

There was discussion around performing an experience study, which was recommended by the Retirement Subcommittee. The study would review a 5-year history of experience and make recommendations to possibly change assumptions that would result in a better estimate of the plans liability. Ms. Castelhana stated the study would cost \$13,000 per plan.

MOTION: Mr. Peterson made a motion effective February 15, 2022, to utilize pension funds to move forward with the experience study at a cost of \$13,000 per plan. Mr. House seconded the motion. All were in favor and the motion carried.

Mr. Polk went through a presentation of the defined contribution pension plan performance and stated he did not have any recommended changes to the portfolio. Ms. Heavner asked about updating the investment policy and Mr. Polk confirmed this was completed about year ago. Mr. Peterson said he would be in favor of taking action at some point to reallocate some of the funds given the strength of the capital markets over the last three years.

4. Budget Discussion

Ms. Heavner provided an update on additional budget information that has come to light since the Board of Finance Tri-Board meeting including finalized grand list results, receipt of the final ARPA rule, increased State revenue projections and capped vehicle mill rate proposal by the State.

Ms. Meriwether updated the budget modeling worksheet reflecting the noted updates along with the Superintendent's proposed budget. Discussion ensued.

5. Draft Health Insurance Fund Policy (with invited guest Lockton Companies)

Mr. Hasselman reviewed the draft insurance fund policy which addresses a fund target reserve level, purpose of the fund and what happens when the fund is in a surplus or deficit position. He noted that they usually recommend a reserve of 25% - 30% of expected claims. Ms. Schofield raised a question around the number of reserves the Town maintains and that the target seemed larger than industry standard. She recommended the policy be updated to 20%-25% target reserves.

Ms. Heavner asked about aggregate stop loss and Mr. Hasselman said it's not a significant spend but advised it would not be a good buy for Simsbury.

Ms. Heavner and Ms. Schofield requested an edit around the usage of the funds and to change the “non-health related expenditures” wording to include some options for proposed usage. Ms. Schofield suggested the percentage number should be documented as a range as opposed to a number. Ms. Heavner suggested to review the three recommended updates and finish up the policy review over the Summer.

6. Finance Director’s Report

Ms. Meriwether provided highlights of her Financial Director’s Report.

American Rescue Plan Act (ARPA) – The final rule has been released and the ARPA work group is working through their next steps to allocate the funding.

Board of Finance Budget Meeting Dates – Ms. Meriwether reviewed the budget calendar with the Deputy Town Manager and reported out that if the Board of Finance would like an additional meeting prior to the public hearing it would have to be March 23rd. Ms. Heavner suggested adding it to the calendar.

Vacancy Rate - Ms. Meriwether said she is putting together information for Ms. Capriola’s budget presentation on the vacancy rate analysis.

7. Town Quarterly Budget Status Report

Ms. Meriwether went over highlights of the town’s quarterly budget report which indicated projected positive year end revenues of \$1.6M in excess of budget, the majority of which is related to the tax collection rate assumption. She also noted there was State funding related to the Municipal Revenue Sharing that may not be received in the current year. Expenditures are consistent with the same period last year with the exception of a non-recurring transfer to the Capital Reserve fund. Preliminarily the Town is anticipated to be underspent by an estimated \$600K.

Ms. Meriwether reviewed the Simsbury Farms fund which had a net income of about \$177K at the end of the second quarter. She stated the Special Revenue fund is expected to be around \$100K to the good for projected end of FY22 with the caveat that there is room for fluctuation.

Ms. Meriwether reviewed the Health Insurance Fund noting the fund is showing a loss of around \$788K but mentioned this is due to timing and she expects the fund to be in a surplus position by the end of the year. Reserves as of the end of the second quarter are 45% of expected claims. However, reserves are anticipated to be at 38% of expected claims at year end.

Discussion ensued.

8. Board of Education Quarterly Budget Status Report

Ms. Meriwether reported on grant revenues and specifically reviewed awards that have been finalized since the last quarterly report was prepared. She also highlighted expenditure variances from the same period last noting the majority of the variances were COVID related.

9. Approval of Minutes

MOTION: Ms. Schofield made a motion to approve the January 18 2022, Regular Board of Finance Meeting minutes as submitted. Mr. House seconded the motion. All were in favor and the motion carried.

10. Communications

Ms. Meriwether reviewed the Assessor's Grand List memo which showed an overall increase to the grand list of \$96,046,030, which is 3.72% over last year. She went through the various sections and breakdown of what was included in the report. Ms. Heavner asked about the communication plan for the public in relation to applications for some of the tax relief which is open from February 1st through May 15th. Ms. Meriwether confirmed the information is posted on the website and people who previously applied received a letter. Ms. Heavner asked if they can do a press release or perhaps add it to the senior's newsletter.

11. Adjourn

MOTION: Ms. Schofield made a motion to adjourn the meeting at 8:46 P.M. Mr. Helfand seconded the motion. All were in favor and the motion passed unanimously.

Respectfully submitted,
Marion Lynott
Commission Clerk