

**A virtual regular meeting of the Town of West Hartford Pension Board was held on Monday, May 16, 2022 at 7:45 a.m.**

**Members of the public may view the meeting on YouTube and [www.whctv.org](http://www.whctv.org).**

**The meeting was called to order at 7:47 a.m.**

**I. Roll Call/Attendance**

**Pension Board Members:** Chair Lazaro Guzman, Commissioners Alan Lebow, Perry Salonia, Brittany MacGilpin, and Peter Privitera, Director of Financial Services.

**Participants/Guests:** Mayor Shari Cantor, Rick Ledwith, Town Manager, Chris Kachmar, Fiducient Advisors, Lori Kearney, Human Resources Specialist, Cathy Lombardi, Acting Director of Human Resources, Yelena Pelletier and Becky Sielman, Milliman.

**Absent:** Mary Fay, Town Council

**II. Chair's Opening Comments**

- A. Review of rules of decorum and procedure for the virtual meeting in accordance with Governor Lamont's Executive Order #7B permitting municipalities to conduct public meetings virtually during the COVID-19 pandemic.
- B. Lori Kearney named Clerk of the Board

**III. Peter Privitera with Becky Sielman and Yelena Pelletier, Milliman**

**A. Valuation**

The July 1, 2021 valuation is the first valuation with the addition of the pension obligation bond proceeds. The Town conducts a full valuation every odd numbered year. During even numbered years, an interim valuation is done. A lot of movement in the last two year period: 100 individuals retired, 52 left active status (and vested or accepted a refund), 119 new employees entered the plan, and 86 retirees died. Research conducted by the pension division identified 14 contingent annuitant beneficiaries who had died. They were removed from liability resulting in \$130,000 in saved liability. The plan's active members totaled 794. In pay status, there were 1,061 retirees, 35 disabled retirees, and 149 beneficiaries. Approximately \$38 million paid out in benefits annually. 2021 was a bright spot in assets with returns of 30.34% on pension plan investments. The asset balance has more than doubled with the issuance of the POBs to just under \$323 million dollars. The asset smoothing technique is used to smooth market volatility; will continue to do the 5 year asset smoothing to control volatility of Town's contribution to the plan. The interest rate assumption – what the portfolio is expected to earn over a long term horizon – is at 6.61% this year (2019 – 6.5%). In conjunction with the POBs, a conservative assumption of 6.25% was used in that analysis. This year's valuation reflects the 6.25% interest rate assumption, lower than long term expected earnings for the portfolio. The analysis assumes investments are entirely passive and no margin has been built in for additional returns that might be achieved with actively managed funds. Liabilities climbed between the last interim valuation in 2020 and 2021. Milliman recommends full valuations every year to accurately measure the \$600 million liability. Accrued liabilities were an estimated \$531 million in 7/1/2020 and increased to an actual of \$602 million as of 7/1/2021. The increase in liability is largely due to the drop in interest rate from 6.99% to 6.25%. The issuance of the POBs almost eliminated the unfunded accrued liability. As of 7/1/2021, funded ratio at 98.5%. Plan replaced past service cost with hard debt service from POBs. Milliman has incorporated the change in the Town's funding policy in its analysis. If the plan gets overfunded, the Town agreed to continue paying full normal cost until such time when the funded ratio is more than 150% in order to build up a cushion against adverse experience to provide more budgetary stability. Additionally, the Town took last year's ADC (\$26.9 million) and put it in a reserve fund. The reserve fund will be used to pay a portion of the ADC in years where adverse market performance

causes the ADC to go up more than 5%. The Town has built in several layers of protection to protect the operating budget from too much volatility in pension contributions.

**B. MARC pension administration system**

MARC is a pension administration system developed by Milliman in 1991 that provides administrative staff with enhanced and modernized tools to improve accuracy and efficiency. It is a calculation system coded with the specifics of a Town's pension plan and benefit calculation. MARC can handle all administrative tasks including pension estimates and final benefit calculations as well as act as a repository for all information related to the pension plan (e.g. SPD, copies of QDROs, and completed retirement applications). Data is fed from the payroll system to the MARC system. Support is provided by a dedicated team in Milwaukee. A member website permits employees to calculate their own pension benefit estimates and what-if scenarios. A self-service feature permits retirees to update tax withholding status, address, and direct deposit banking information. MARC is continually updated with payroll feeds, and allows for on demand data and reporting exports. Two purchasing options: 1) full system functionality excluding automating non-standard calculations (death, disability, retiree cost of living adjustments) with a \$36,000 one-time implementation fee plus an estimated \$2,500 per month licensing fee and 2) full system functionality including automating non-standard calculations (death, disability, retiree cost of living adjustments) with a \$48,000 one-time implementation fee plus an estimated \$2,750 per month licensing fee. Historically, two full-time staff members manually calculated pension estimates for Town and Board of Education employees, with one staff member's salary charged fully to the pension fund. This staff member (Paula Knake) resigned which has prompted a closer look at the MARC system and the enhancements and savings it could bring to the Town. If the Pension Board approves licensing the MARC system, it will take approximately 9 months to implement. During this time, Cathy Lombardi indicated that the vacant position would need to be filled with a full time employee. After implementation, it is anticipated that this full time employee will have reduced pension administration responsibilities but may take on a different role in the Human Resources Department. The allocation of the position would shift and would not be fully funded by the pension plan. Alternatively, licensing the MARC system may result in the need to hire only a part time staff member to focus solely on pension administration. Thus, some cost savings could be realized in staffing. By implementing this system, it would be simpler and quicker to transmit census data to the actuaries for valuation. There are potential cost savings from Milliman; not on actuarial fees but perhaps "horse trading" on the cost of the data needed for the pension dashboard. Should the Pension Board approve the implementation of the MARC system with Milliman, there would be separate contracts for actuarial services and pension administration services; they would not be tied to one another. A Special Meeting will be scheduled for June to discuss the MARC system in greater detail. Aside from the improved employee experience the MARC system's member website represents for employees, the Pension Board is looking for quantitative data on costs savings to support pursuing this system. Peter will work with Cathy and Becky to quantify the savings (e.g. FTE staffing and valuation savings) for that meeting.

**IV. Chris Kachmar, Fiducient Advisors**

**A & B. Quarterly Investment Review/Pension Plan – Portfolio Composition Discussion**

Capital markets – tough calendar year to date due to changing federal policy and the situation in Ukraine. Town portfolio as of 3/31/2022 at \$467,936,093. Asset allocations are close to target and consistent with the Board's intention. Four of six dollar cost averaging exercises have been completed. In March, we broke up and two tiered the \$54 million contribution into two segments, one early in the month and the other later in the month due to volatility. The next DCA is scheduled for June. Did the Board wish to replicate the construct used in March and break the next fund insertion into two segments to control the entry point as a result of continued volatility? Fiducient Advisors endorses a two tiered contribution of the next \$54 million to mitigate volatility, with one contribution occurring early in June and the other later in June. One manager on watch, Harbor Diversified International. Otherwise, balance of roster is in good working order. Discussion of active versus indexed funds. There is no right answer. We can reduce the management fees of the plan and the risk by going to more

indexed funds. However, that can risk the incremental return over the longer term. The Board will review asset classes and take a fresh look at the balance between indexed and active funds at the September meeting. Fiducient Advisors will prepare an active and indexing comparison for that meeting. **Motion by Chair Guzman to accelerate half of the June 30th DCA amount for investment in the next week with the other half to be invested at the previously scheduled time at the end of June.**

**Peter Privitera – yes**

**Brittany MacGilpin – yes**

**Al Lebow– yes**

**Perry Salonia – yes**

**Lazaro Guzman– yes**

**All in favor. Motion passed.**

V. Brittany MacGilpin, Town Matters  
No items to report.

VI. Lori Kearney, Human Resources Specialist

A. Meeting schedule for 2022

Remaining meetings in 2022: September 19, October 17, November 14.

Mayor Cantor stated that the state legislature has granted municipalities the ability to hold meetings in a hybrid fashion permitting flexibility. We will determine the September meeting format a few weeks prior to the meeting date. A Special Meeting will be scheduled in June to discuss the MARC system.

B. Summary of Pension Administration

VII. Formal Actions

A. Minutes

1. Approval of the minutes for the virtual regular meeting held on Monday, February 28, 2022

**Motion by Chair Guzman for approval of the minutes for the virtual regular meeting held on Monday, February 28, 2022. It was unanimously voted to approve the minutes for the virtual regular meeting held on Monday, February 28, 2022.**

B. Pension Administration

**Motion by Chair Guzman for approval of the items under Pension Administration. It was unanimously voted to approve the items under Pension Administration.**

1. Memberships

**BOE – Maria Coats, Maria Nieves, Kaylie Schiltz, Joshua Seymour, Marcus U Barry.**

**Town – Conor Brown, Anthony Chachulski, Christopher Hemstock, Skylar Lang, Cole Magnuson, Nathaniel Michaud, Karoli Rodriguez, John Selmer, David Strong, Benjamin Watkins**

2. Terminations and Refunds

**BOE – Laurie Rosano, Mary Ellen Smith, Izaias Pontes, Kimberly Neild, Molly Weyers.**

**Town – Benjamin Van Schaack, Matthew Hart, Rodrigo Pinto**

3. Applications for Approval

a. Vested interest applications

**BOE – Mary Coons**

**Town – Irene-Lee Klein**

b. Normal retirement applications

**BOE – Kathleen Hickey**

**Town - Steven Ciarleglio, Kerry Cloukey, Gregory Hill, Walter Topliff Jr.**

c. Survivorships applications

**Town – Joanne Noonan (survivor of John Noonan, Fire), Myrtle Suber (survivor of Elijah Suber, Police), Karen Wilson (survivor of William Wilson, Fire)**

C. Invoices for Consideration

1. Milliman

- a. Invoice for July 1, 2021 actuarial valuation services in the amount of \$7,903.75 and for consultation services regarding QDRO and contingent annuity factors in the amount of \$626.25. Invoice date 5/2/2022.
- b. Invoice for July 1, 2021 actuarial valuation services in the amount of \$18,000 and for services related to the actuarially determined contribution in the amount of \$660. Invoice date 5/2/2022.

Questions on actuarial valuation fees charged by Milliman. Does Milliman charge an hourly rate or fixed rate for valuation services? Why are there two separate invoices? What is the contracted dollar amount Milliman charges the Town for the valuation? What are basic valuation charges and what were the charges incurred for the extra work? Valuation is at a fixed rate unless there is something done over and above what is in the contract. Then it would be an hourly rate for the service. Milliman bills us in increments as they move toward completion of the valuation. The Town is billed for the bulk of the valuation when it is completed. Peter will review the contract and the invoices and respond to the Board.

2. Silvercrest

Invoice for management fees for quarter ending 6/30/2022 in the amount of \$37,081. Invoice date 4/18/2022.

**Motion by Chair Guzman to approve for payment all items under Invoices for Consideration. Peter will provide the Board with more information on the Milliman valuation charges, and if an adjustment is necessary, Milliman will process. It was unanimously voted to approve for payment all invoices listed under Invoices for Consideration.**

VIII. New Business - None

IX. Adjournment

**Motion by Chair Guzman to adjourn the meeting at 10:08 a.m. It was unanimously voted to adjourn.**

Attest:

  
Lori Kearney, Clerk of the Board