

OPEB BOARD OF TRUSTEES MEETING

Minutes

July 18, 2019

8:00 AM

Republican Caucus Room, 4th FLOOR
GOVERNMENT CENTER
888 Washington Boulevard
Stamford, CT

OPEB Board of Trustees Members in Attendance:

David R. Martin - Vice Chair	Mayor
Michael E. Handler - Chair	Director of Administration
Alfred Cava	Director of Human Resources
David Yanik	Controller
Frank Cerasoli	President, Board of Education Appointee
Eric Newman	CERF Pension Appointee
Jay Fountain	Fire Pension Appointee
Michael Noto	Police Pension Appointee
Dudley Williams	Board of Finance Appointee
Stephen Cohen	Board of Representatives Appointee

The meeting of the OPEB Board of Trustees was called to order by Mr. Handler at 8:05 a.m. A quorum was present. The Board welcomed new members Alfred Cava, Director of Human Resources and Eric Newman, CERF Appointee. Also present were Rebecca Sielman, Milliman, Joseph DePalma, Wells Fargo Bank, and Alicia Edwards, Human Resources Department.

The following materials were distributed in advance: meeting agenda, minutes of the May 16, 2019 meeting, Second Quarter OPEB Trust Investment Review including 2018 Stamford OPEB Long-Term IPS, OPEB Retirement Plan Case, and GMO Review.

Approval of Minutes – A motion was made and seconded to approve the May 16, 2019 minutes. **The motion carried 8-0-2.** Mr. Cava and Mr. Newman abstained.

Report on Investments of the Funds – Mark Wetzel, of Fiduciary Investment Advisors, LLC (FIA), reported on OPEB Trust Fund investments and answered Board members' questions. Second quarter economic review: June 2019 was a reversal of May's poor performance; the S&P Index was up 7% for the month, up 4.3% for the quarter, and up 18.54% year-to-date. US equity was extremely strong, emerging markets and International equity markets were positive.

The OPEB Trust plan was at \$136 million at the end of the quarter with a significant contribution due soon.

Allocations are close to the targets. The plan is allocated at 28.1% in fixed income investments and cash, 36.6% in domestic equities, 26.7% in developed international, 7.6% in emerging markets and 1.0% in alternatives.

As requested by Mayor Martin at the last meeting, Mr. Wetzel offered a presentation titled "The OPEB Retirement Plan Case for International Equity" and also a GMO review to examine the validity of the assumption that international equity improves returns and reduces risk. After discussion of actively managed funds versus indexed funds and international versus domestic investments, a motion was made and seconded to reduce the allocation in GMO Global Balanced Asset Allocation Fund from 10% to 5% and reallocate the proceeds across the managed funds. **The motion carried unanimously 10-0-0.**

Next discussed was the OPEB Long-Term Investment Policy Statement (IPS) which was last approved August of 2018. A motion was made and seconded to approve the Stamford OPEB Long-Term Investment Policy Statement with a change to the asset allocation table on the last page to reflect the reduction of the asset allocator to 5%. **The motion carried unanimously 10-0-0.**

Wells Fargo Report - Joseph DePalma of Wells Fargo distributed, and the Board discussed, the Wells Fargo Administrative Report of Trust Fund balances for the period ending June 30, 2019.

Report of Bills Paid and Financial Reports/FY2020 Contribution – There was no report of bills paid or financial report because the FY 2019 information is still a work in process. It is anticipated that the 2020 annual contribution will be made late July or early August.

Other Business:

Medicare Part B Reimbursement – At the May 16, 2019 meeting Medicare Part B Reimbursement to the Pension Trusts was discussed in detail and the responsibility for the OPEB Board to fund those expenses out of the OPEB Trust was approved.

Mr. Cava explained that a vote was necessary to begin processing CERF and Custodians' pension fund reimbursements (effective July 1, 2019). Reimbursements will be processed monthly if possible.

A motion was made and seconded for the OPEB Trust to distribute Medicare Part B reimbursements to the CERF and Custodians Pension Funds on a regular basis, approved retroactively through the report of bills paid, unless unusual issues necessitate a full vote of the Board. **The motion carried 10-0-0.**

In order to facilitate Medicare Part B transactions, the Board agreed to authorize Mr. Cava to sign Wells Fargo documents on behalf of the OPEB Board for cash processing purposes only.

Actuarial Valuations – Ms. Sielman of Milliman distributed materials with highlights of the City and BOE 2018 actuarial valuations and discussed matters related to the 2019 actuarial valuations.

Milliman will examine new mortality tables that were published earlier this year and make recommendations of the ones that will be appropriate for Stamford pension plans. At some point it is recommended that an experience study be conducted for non-teachers to study patterns of retirement, turnover, pay increases, OPEB benefit election rates, and the like. An experience study will take several months to perform and may be difficult to accomplish for the F2019 report without beginning by the end of this month. Another area of focus will be further lowering the interest rate assumption.

Milliman will consider changing the method of calculating liability from the minority method called Projected Unit Credit (PUC) in use now to the majority method commonly used by public pension and OPEB plans called Entry Age Normal which is required for financial reporting in the City's CAFR. Milliman will also explore implementing an asset smoothing mechanism to dampen the effect of market volatility and changing the timing adjustment component of the Actuarially Determined Contribution (ADC) to reflect the time lag between the valuation date and the date on which the contribution is made.

In all, Milliman proposes to explore ideas for OPEB and the Pension Plans that are affordable for the City but also responsible.

There was no other business.

Action Item – Ms. Seilman will provide Mr. Handler with a proposal (timing and cost) to conduct an experience study.

The meeting adjourned at 9:05 a.m.

Next meeting is scheduled for November 21, 2019 at 8:00 a.m.
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