



STAMFORD FIREFIGHTERS PENSION FUND

City of Stamford, CT

**Chairman Robert Berlingo
James R. Fountain
Richard Freedman
Gerald Kutz
Matthew T. Palmer**

Meeting purpose: Regular Meeting

February 20, 2019 1200

A regular meeting of the Stamford Firefighters Pension Fund was held at 1200 on Wednesday February 20th at Stamford Fire Headquarters.

Present at the meeting were: Chairman Robert Berlingo, Trustee James Fountain, Trustee Firefighter Gerald Kutz and Trustee Deputy Chief Matthew Palmer. Absent was: Trustee Richard Freedman. Guests included: Union Trustee Trainee Michael Gallas, Department Administrator Barbara Murphy, Union President Captain David Davis, City Controller David Yanik, Fund Auditor Nikoleta McTigue of Blum Shapiro, Fund Actuary Rebecca Sielman of Milliman.

The meeting was called to order at 1200 by Chairman Berlingo.

Public Comment

None

Old Business

None

General / New Business

Chairman Berlingo introduced Nikoleta McTigue of Blum Shapiro as the Fund's Auditor

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Review of the Preliminary June 30, 2018 Fund Financial Statements

At 1205 auditor McTigue presented the preliminary Fund Financial Statements effective June 30, 2018. According to the auditor, the fund is receiving a "Clean Opinion" which they term "Unmodified". The Responsibilities, the Opinion, the Emphasis of Matter and the Required Supplemental Information were reviewed with the board.

The Net Position of the fund is up approximately \$9.0 million from the previous year. The fund paid approximately \$10.5 million in benefits to retirees, took in approximately \$8.3 million in contributions from the current employees and the city, and made approximately \$11.3 million in net investment income.

There are 234 retirees collecting benefits from the fund, 2 retirees entitled to but not yet receiving benefits and 257 active participants in the fund.

The board and the actuary suggested 2 modifications to the Summary of Benefit Provisions section of the document as a result of the changes made in the 2016 Collective Bargaining Agreement between the city and the union.

To paragraph 2 on page 6 of the document add “to a maximum benefit of 100%” and to paragraph 5 on the same page add “if the employee selects the post retirement spousal benefit”.

The investments of the fund were reviewed; Trustee Kutz expressed a concern that the “Alternative investments/hedge funds” number was high. The auditor explained, according to accounting principles, any fund investment that cannot be publicly priced as a whole has to be placed in this bucket, even if the majority of the underlying investments are common stock market securities.

The auditor reviewed the rate of return for the year ending June 30, 2018 which was 8.60%. The Fair Value was reviewed and determined to be approximately \$137.1 million.

The recommended drop of the Investment Rate of Return actuarial assumption was discussed. The actuary plans to propose a drop from 7.20% to 7.10%.

Controller Yanik thanked Chairman Berlingo, the Auditor and the Actuary for all their help in making the fund audit a success.

Chairman Berlingo asked the Auditor: “Were there any audit adjustments in this report?” and the Auditor replied: “No”.

Chairman Berlingo explained the process of preparing the financials and the accounting to the new trustees (Kutz and Palmer).

A **MOTION** was made by Trustee Fountain and seconded by Trustee Palmer at 1335 to accept the June 30, 2018 City of Stamford, Connecticut Firefighters’ Pension Trust Fund Financial Statements. Motion **PASSED** unanimously.

Review of the Preliminary June 30, 2018 Actuarial Valuation

Trustee Fountain introduced Rebecca Sielman of Milliman as the Fund’s new Actuary.

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At 1240 Fund Actuary Rebecca Sielman presented the preliminary highlights of the July 1, 2018 Actuarial Valuation. Numerous demographic charts showing the Active and Retired population of the firefighters were presented. Actuary Sielman commented that it showed a very stable long career employment.

Charts showing the development of the fund's investment "Interest Rate Assumption" were presented. Actuary Rebecca Sielman stated that the way it is supposed to work is: The board decides what investments they would like to invest in and then the actuary calculates what the investment "Interest Rate Assumption" should be. We as a board should not be changing investments to try to get to the actuarial assumption number. Trustee Kutz stated that we understand the concept of this, but changes to the "Interest Rate Assumption" have huge financial implications to the city.

Actuary Sielman strongly recommends that we perform an Experience Study at least every five years. It is now time to begin a new Experience Study.

Trustee Kutz brought up the conflict of interest issues with Actuary Sielman. Hooker and Holcomb, the previous actuary, testified on the city's behalf at a Negotiation/Arbitration meeting after doing research for the city. Chairman Berlingo on behalf of the board made it clear that her and her company's allegiance is to the pension fund and the board, not to either the city or the union individually. Actuary Sielman agreed.

Actuary Sielman apologized for the late presentation of the evaluation, but due to turnover issues and issues getting the proper data, they were forced to take longer than expected. Trustee Kutz asked: "What would a normal timeframe be for generating a final evaluation in the future?". Actuary Sielman expects to have the report complete in the October to November timeframe, so the city can plan for the subsequent year's budget.

Chairman Berlingo asked when an appropriate time was and the procedure for performing the experience study. Actuary Sielman suggested the Spring of 2019.

Trustee Kutz asked about the timing of the city's required contribution. Actuary Sielman commented that Milliman has left certain things alone that Hooker and Holcomb were doing, in an effort not to change too much at once. However, she wants to place a factor in the valuation that takes into account the time from the valuation to the time the city actually deposits the money into the fund. This will be addressed in the next valuation.

Actuary Sielman discussed assumption changes with the board and proposed two assumption changes:

Change One: Change the Interest Rate assumption from 7.20% to 7.10%

Change Two: Change the Inflation Rate assumption from 2.75% to 2.60% to be consistent with OPEB and all other city pension funds.

Actuary Sielman discussed the calculation of the current investments with a look out to 75 years from now and the assumptions center on 6.56%. She also indicated that we have all actively managed funds as well as an excellent fund advisor Beirne Wealth Consulting, which typically produces higher returns. Currently our assumption is 60 basis points above the 6.56% and she feels that is too much for the Alpha generated by active management. She feels that 40 basis points would be a better number for us. This translates to 6.9% to 7.0% interest rate assumption. She is very happy to see the city taking steps to move the interest rate assumption lower year after year.

Actuary Sielman reviewed the comparison of Milliman's valuation to that of Hooker and Holcomb. They are well within error tolerance and happy with the results. Some of the fund accrued liabilities changed and were reviewed. The expense of Medicare Part B premiums increased dramatically, however, these expenses will be moved over to the OPEB fund within the next year to be in compliance with federal laws. They found six to seven individuals whose ages or hire dates were reported inaccurately and have been corrected.

Actuary Sielman concluded her presentation and thanked the board at 1340.

A **MOTION** was made by Trustee Palmer and seconded by Trustee Fountain at 1340 to accept the Preliminary Highlights of the July 1, 2018 Actuarial Valuation. Motion **PASSED** unanimously.

Trustee Fountain explained to the board that he had met with the mayor earlier in the day who expressed a desire to move the interest assumption to 7.05% if the city could afford the change. Trustee Fountain requested a motion allowing the city to make the change if possible, but if not, revert back to 7.10%.

A **MOTION** was made by Trustee Palmer and seconded by Trustee Fountain at 1345 to change the actuarial Inflation Assumption from 2.75% to 2.60% and to change the actuarial Interest Rate Assumption from 7.20% to 7.05% if the city is able to afford the change, otherwise change it from 7.20% to 7.10%. Motion **PASSED** unanimously.

Minutes of Previous Meeting

Trustee Kutz read the minutes from the February 13, 2019 regular board meeting.

A **MOTION** was made by Trustee Fountain and seconded by Trustee Palmer at 1350 to accept the minutes from the February board meeting. Motion **PASSED** unanimously.

Next Meeting

Next meeting of the pension board was scheduled for **Wednesday March 13, 2019 at 1200** in the Commissioners Conference Room at Fire Headquarters. The agenda will review of the proposed changes to the Pension Trust Agreement. Beirne Wealth Consulting will also be on the agenda.

The following meeting will be scheduled for **Tuesday April 23, 2019 at 1200** in the Commissioners Conference Room at Fire Headquarters. The agenda for this meeting will be determined at the March 13 meeting.

The following meeting will be scheduled for **Tuesday May 14, 2019 at 1200** in the Commissioners Conference Room at Fire Headquarters. The agenda for this meeting will be determined at the April 23 meeting. Beirne Wealth Consulting will also be on the agenda.

Adjournment

A **MOTION** was made by Chairman Berlingo and seconded by Trustee Palmer at 1355 to adjourn the meeting. Motion **PASSED** unanimously.