

**TOWN OF MONROE  
PENSION COMMITTEE**

7 Fan Hill Road, Monroe, Connecticut 06468  
Telephone: (203) 452-2800 x1009

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15 MAY 15 AM 10:50

**SPECIAL MEETING AGENDA: Wednesday, May 20, 2015 6:30 PM MONROE TOWN CLERK  
Annex**

1. CALL TO ORDER
2. REVIEW OF MINUTES
  - a. Minutes/Voting Record of January 15, 2015
3. COMMUNICATIONS
  - a.
4. EXECUTIVE SESSION
  - a.
5. NEW BUSINESS
  - a. Discussion of transfer of Pension Assets with FIA and Wells Fargo.
  - b. Discussion of Hooker and Holcombe invoices.
6. OLD BUSINESS
  - a. Discussion of OPEB Trust (vote anticipated)
7. ADJOURNMENT

***PLEASE CALL THE FINANCE OFFICE IF YOU WILL NOT BE  
ATTENDING—452-2800 x1009. THANK YOU.***

*This meeting meets accessibility requirements for the disabled. Those needing special accommodations should contact the Finance Department or First Selectman's Office as soon as possible.*

**DRAFT**

**MONROE BOARD OF FINANCE  
Monroe, Connecticut**

**Pension Committee Meeting  
Voting Record  
January 15, 2015**

**Present:** Vice-Chairman John Ostaszewski  
First Selectman Steve Vavrek  
Acting Finance Director/Treasurer Ron Bunovsky  
Catherine Lombardi  
Enid Lipeles  
Board of Education Finance Director Gabriella DiBlasi

**Absent:** Chairman Michael Manjos  
Superintendent James Agostine  
Jeff Guttman

**Motion to Approve the Voting Record and Amended Minutes**

**Motion: (E. Lipeles)**

Motion to approve the voting record and amended minutes of November 20, 2014

**Second: (S. Vavrek)**

Discussion: None

**Motion passed 5-0 (Ostaszewski, Bunovsky, DiBlasi (proxy for J. Agostine), Lipeles and Vavrek)**

**Motion to Approve FIA's Proposed Asset Allocation**

**Motion: (G. DiBlasi-proxy for J. Agostine)**

Motion to approve FIA's Proposed Asset Allocation

**Second: (R. Bunovsky)**

Discussion: None

**Motion passed 4-0 (Ostaszewski, Bunovsky, DiBlasi (as proxy for J. Agostine) and Vavrek)**

**Motion to Approve FIA's Proposed Investment Portfolios**

**Motion: (G. DiBlasi-proxy for J. Agostine)**

Motion to approve FIA's Proposed Investment Portfolios

**Second: (R. Bunovsky)**

Discussion: None

**Motion passed 4-0 (Ostaszewski, Bunovsky, DiBlasi (as proxy for J. Agostine) and Vavrek)**

**Motion to increase the number of hours that defines a full-time employee defines a full-time employee under Article #2 of the Town of Monroe Pension Plan from more than 20 hours in a week to 30 or more hours in a calendar week and more than 6 months in a calendar year**

**Motion: (R. Bunovsky)**

Motion to Increase hours

**Second: (S. Vavrek)**

Discussion: None

**Motion passed 5-0 (Ostaszewski, Bunovsky, DiBlasi (proxy for J. Agostine), Lipeles and Vavrek)**

**Motion to Adjourn**

**Motion: (G. DiBlasi-proxy for J. Agostine)**

Motion to adjourn at 8:40 p.m.

**Second: (R. Bunovsky)**

**Motion passed 5-0 (Ostaszewski, Bunovsky, DiBlasi (proxy for J. Agostine), Lipeles and Vavrek)**

Respectfully submitted,

Diane Behringer  
Pension Committee Clerk

DRAFT

MONROE BOARD OF FINANCE  
Monroe, Connecticut

Pension Committee Meeting  
Meeting Minutes  
January 15, 2015

**Present:** Vice-Chairman John Ostaszewski  
First Selectman Steve Vavrek  
Acting Finance Director/Treasurer Ron Bunovsky  
Catherine Lombardi  
Enid Lipeles  
Board of Education Finance Director Gabriella DiBlasi

**Absent:** Chairman Michael Manjos  
Superintendent James Agostine  
Jeff Guttman

**CALL TO ORDER-***Vice-Chairman Ostaszewski* called the meeting to order at 7:00 p.m.

**REVIEW OF MINUTES**

**Motion to Approve the Voting Record and Amended Minutes**

**Motion: (E. Lipeles)**

Motion to approve the voting record and amended minutes of November 20, 2014

**Second: (S. Vavrek)**

Discussion: None

**Motion passed 5-0 (Ostaszewski, Bunovsky, DiBlasi (proxy for J. Agostine), Lipeles and Vavrek)**

**COMMUNICATIONS-**There were none at tonight's meeting.

**EXECUTIVE SESSION-**There was no Executive Session at tonight's meeting.

**NEW BUSINESS**

**Review of FIA Proposal-***Devon Francis* from FIA reviewed the portfolio diagnostic with the Committee members. She said that FIA's preparation for the diagnostic included:

- Working with Prudential and Wilmington Trust to obtain information on the current portfolios
- Conducting an asset allocation study
- Constructing a proposed new portfolio

- Conducting a fee analysis for the current portfolio as well as the proposed new portfolio
- Working with four potential custodians to obtain bids for custody services
- Preparing a draft Investment Policy Statement

*Ms. Francis* continued that the Town of Monroe has two pension plans, The Town Plan and the Board of Education Plan; both are approximately \$10 million. Prudential is the custodian of the Town Plan and Wilmington Trust is the custodian of the Board of Education Plan. *Ms. Francis* added that The Board of Education also uses UBS as a Financial Advisor to the Board of Education Plan. The Town Plan is invested in Prudential funds while the Board of Education Plan is invested in Wilmington Trust commingled trust vehicles. *Ms. Francis* noted that the current relationship implies a “significant amount of entity risk for the Board of Education Plan.”

### **Current Custody/Management Services**

#### **Town Plan**

Prudential is the current custodian for the Town Plan and is also the de facto trustee as it is an insurance company and the Plan uses all Prudential Manager of Manager funds. The Town pays Prudential only for making benefit payments at a cost of \$2.00 per payment with an annual estimated cost of \$2,400. With regard to investment expenses, the current weighted average fee is 51 basis points at an annual cost of \$51,000.

#### **Board of Education Plan**

Wilmington Trust is the current custodian for and trustee of the Board of Education Plan; UPS serves as the financial advisor. The combined fees to Wilmington Trust and UBS total 95 basis points at an estimated annual cost of \$95,000.

*Ms. Francis* continued with FIA’s Portfolio Observations:

- The Board of Education Plan has a significant bias toward large cap equities with the domestic space. The Town Plan is more closely aligned with the domestic equity opportunity set with a 70% allocation to large cap within the domestic equity allocation.
- There is a very modest allocation to international equities at 10-15% compared to 40% in domestic equities.
- The Town Plan has liquidity constraints. The Private Placement Fund can only be traded on the last day of each month and large withdrawals from the Guaranteed Deposit Account are subject to market value adjustments and may be deferred for up to six months.
- All of the investments in the Board of Education Plan are Wilmington Trust commingled trusts which represent a significant amount of entity risk.

### Asset Allocation Study

*Ms. Francis* said they did Monte Carlo simulations and she directed the committee members to the page “Current Portfolio Efficiency (Constrained)” She said that currently the portfolios are modeling out at 5.6% and 5.8% and the actuarial assumed rate of return is 7.5% which is a large disconnect. *Ms. Francis* continued that FIA’s proposed portfolio models out at approximately 6.4% so while there is still a disconnect, “at least we are getting a bit closer.” FIA’s asset allocation is similar to municipalities of similar size in Connecticut. *Ms. Francis* gave the following as Rationale for the Proposed Portfolio:

- The proposed portfolio being recommended has been reviewed and approved by FIA’s Investment Committee to ensure that it represents their “best thinking.”
- Mandate and entity diversification is achieved via the broad array of specialty institutional investment firms.
- Exposure to international strategies is justified by both the increasing size and liquidity of international capital markets and their desirable demographic profiles.
- Indexing the efficient domestic large cap equity area helps to reduce overall fees and tracking error.

The proposed investment portfolio is 30% Fixed Income, 35% Domestic Equity, 27.5% International Equity, 5% Real Estate and 2.5% Commodity.

**Custody/Trust Proposals**-*Ms. Francis* said there were four respondents to the Custody RFI: Wells Fargo, People’s United Bank, Webster Bank & Trust and US Bank. She said that FIA has exposure to all of those banks and have a good working relationship with all of them. US Bank has the lowest annual custodial fee at \$9,600. *Ms. Francis* added that FIA has the least exposure to US Bank but they are aggressively seeking this type of business and were willing to reduce their fees. She continued that she had the impression that the other three would be willing to take another look at their fees. Though she did not work with US Bank, she spoke with the FIA representative who does have exposure to them and the feedback was very positive. *Ms. Francis* said that in the municipal business, they have the most exposure to Wells Fargo and she will go back to them to see if they can lower their cost.

*Ms. Francis* continued with a brief discussion on the Investment Policy Statement. She said that a well written IPS serves to:

- Clearly articulate the client’s objectives
- Articulate responsibilities of various parties, including the Pension Committee, custodian and investment consultant
- Establish policies and procedures for investment selection
- Establish procedures for on-going performance monitoring and evaluation

She provided the Committee with the proposed draft Investment Policy Statement. *Ms. Francis* said that an Investment Policy should be broad though Appendix A (Target Asset Allocation Table) is very specific.

**Motion to Approve FIA's Proposed Asset Allocation**

**Motion: (G. DiBlasi-proxy for J. Agostine)**

Motion to approve FIA's Proposed Asset Allocation

**Second: (R. Bunovsky)**

Discussion: None

**Motion passed 4-0 (Ostaszewski, Bunovsky, DiBlasi (as proxy for J. Agostine) and Vavrek)**

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**OLD BUSINESS**

**Increase in hours**

*Ms. Lombardi* said that there are currently two employees who work more than 19.5 hours and anyone who works more than that are eligible and they want to increase the required hours. She said that *Superintendent Agostine's* concern at the last meeting was that "if we start making changes to the document, does it mean that we can make changes whenever we feel like it." *Ms. DiBlasi* said that there is one bargaining unit that is not part of the plan; her concern is that if hours are increased, the paraprofessionals could potentially go to the Pension Committee rather than going to their negotiating committee. *Attorney David Ryan* said that "getting into the pension plan is a creature of contract." The hours the paraprofessionals work varies on the nature of their position and assignment. It was determined there is a clause that defines eligible Board of Education employees as the custodial staff, library staff, nursing staff, secretarial staff or unaffiliated staff. *Attorney Ryan* said that he will clean up the document for clarification.

**OPEB**

*Mr. Bunovsky* said they discussed forming an OPEB Trust and a VEBA was drafted in 2004 for the Police Union but it was not signed. He continued that they want to set up a Section 115 Trust instead. *Attorney Ryan* said that he will contact the union to advise them of the issue.

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Pension Committee Clerk