

**TOWN OF GREENWICH, CONNECTICUT
RETIREMENT BOARD
REGULAR MEETING**

Thursday, March 25, 2021 Minutes – Zoom Virtual Meeting

The meeting of the Retirement Board was called to order at 8:00 A.M.

In attendance were:

Members: Joseph Pellegrino, Chairman
Kevin Coyner
Andrew Greco
Peter Mynarski
Mike Wacek

Staff: Ken Berkson, Retirement Board Administrator
Daniela Barcello, Retirement Coordinator

BET: Andy Duus, Miriam Kreuzer, Michael Mason, David Weisbrod,
Leslie Tarkington

Neuberger Berman: Meaghan Doyle, Vice President, Institutional Client Advisor;
Michael Savinelli, Vice President Institutional Client Advisor;
Andrew White, Vice President, Investment Strategist Group

RTM: Scott Kalb, (D-7), Public Works, Danyal Ozizmir, (D-5) BOC

Boomershine Consulting: Greg Stump, Chief Actuary, Boomershine Consulting Group

APPROVAL OF MINUTES

Regular Meeting Minutes February 25, 2021

Upon a motion by Mr. Mynarski, seconded by Mr. Wacek, the Board voted 5-0-0 to approve the Minutes of the Regular Retirement Board Meeting of February 25, 2021. Motion carried.

NEW BUSINESS

Neuberger Berman (NB)

Mr. Pellegrino asked Mr. Savinelli to discuss the February month-end flash report prior to NB's scheduled presentation. Mr. Savinelli reported on the total portfolio and financial composite rolling 3-month returns which were above their benchmarks. He also noted that the current fiscal

year to date and February returns which also outperformed their benchmarks. Mr. Pellegrino then asked NB to comment on the change to the Regime based asset allocation model, which Mr. Savinelli stated that NB will discuss during their quarterly review at the April meeting.

Private Market Update (New Commitments)

Mr. Savinelli presented the current and target allocations for Plan assets. He noted that the private credit and private real estate were underweight and that it was NB's intention to focus on those going forward. He then presented the Private Market commitments for 2021 and 2022, including recent commitments that have been finalized.

Capital Market Assumptions (CMA) and Investment Policy Statement (IPS) including Asset Allocation and Portfolio Risk Constraints (IPS- Appendix I)

Mr. White proceeded with the CMA presentation beginning with a comparison of the 2020 and 2021 CMA. He noted the dramatic downward shift in the estimated annual return figures, across all asset classes. He also noted that some of the decline is due to Private Market investments, now being broken into Credit, Real Estate and Equity, each with their own return assumption, whereas in the past expected Private Equity return was used for the whole Private Investments strategy. Mr. White added that although the CMA are completed annually they reflect information for the long-term. Mr. White stated that based on the 2021 CMA, NB feels that there is no need for the Plan to change their Strategic Asset Allocation.

Mr. White felt the Board did a good job in decreasing the Plan's assumed return rate to 6.25%. Mr. Wacek commented that the Board should be looking at a much lower assumed return rate than the 6% that is to be discussed later in the year. Mr. Pellegrino complimented the Board on lowering the assumed return rate and suggested that the Board look to make another update in July. He advised that the Board should be cautious in the near term as well as over the next 1-2 years.

Mr. Wacek asked Mr. Stump if he could comment on what he has seen regarding assumed returns. Mr. Stump stated that it does depend on the asset mix and that the 2021 estimated annual returns NB presented are closely in line to what he has seen elsewhere.

Mr. Savinelli discussed some of the changes to be made to the IPS-Appendix 1 due to the 2021 CMA. There were questions by the Board and audience about the Benchmark being utilized. NB will prepare a final IPS-Appendix 1 for a Board vote at the April Board meeting.

Pension Obligation Bond

Mr. Pellegrino reported to the Board that the BET has an initiative to pursue a Pension Obligation Bond to invest the proceeds in the Plan to reduce the unfunded liability and therefore reduce the annual Plan contribution in future years.

Mr. Duus provided some background information on the topic, including the experience of other communities in Connecticut. He stated that the Town's issue is not the unfunded status, but that

this could give the Town's budget some latitude. The initial figures indicate the Town could issue a \$88M 20-year bond at 2.25%, contribute those funds to the Plan and anticipate a return of 6.25%. Mr. Duus further stated that the prospect of lowering the assumed return rate of 6.25% under consideration by the Board would have the BET review figures further. He continued that presenting this issue is a great opportunity to share the BET's thoughts and discuss how the Board would proceed. Mr. Duus also presented funding and contribution projections, based on investment returns. Mr. Wacek commented that he recognizes that this matter is a BET decision and the Board has no vote, but it was great that Mr. Duus started a dialogue as to how the Board would proceed upon receipt of a large sum of money. Mr. Wacek continued that he sees it as a critical issue on how the Board would invest the money, including the amount of risk they would take, as well as on how does the Board look at their return assumptions. Mr. Wacek observed that the bond would have a 20-year life in this scenario and would be akin to the Plan amortizing \$88M of its unfunded liability over 20 years. However, the Plan's current unfunded liabilities are being amortized over 12 years, so there should be a discussion about the amortization time period. Mr. Pellegrino commented that his concerns are that such an action would add uncertain risk to a fixed risk, as well as become a political issue as to in what cases does the Town wish to take on long-term bonding for the Plan as opposed to for Capital Improvement Projects. Mr. Duus also commented that there is an option to do several smaller-sized bonds over a period of time that could reduce risk.

The Board, BET and audience continued the discussion, including questions, other options, how the Board would proceed and the negative/positives of this type of transaction.

Mr. Pellegrino noted to the BET that if they decide to take this action, they need to move fast. Mr. Mynarski commented that the RTM would also need to approve this action and therefore the Town would be looking at the earliest date of September/October 2021. He continued that the interest rate of 2.25% is "stale" from about 3-4 months ago and is currently approximately 2.85%, as well as it is unknown what the interest rate environment will be in the future.

Mr. Pellegrino concluded that this was a healthy discussion, he thanked the BET specifically Mr. Duus for their time and energy in what they do for the Town. He stated while there may be differences of opinion, the BET's work is appreciated.

Assumption Change – Comparison of Optional Form Factors – Greg Stump. Boomershine

Mr. Stump commented on the complexity of assumptions and coordination between the Actuarial Valuation and Benefit Calculations. He explained that the recent valuation assumption changes in interest rate and mortality if utilized with Benefit Calculations would affect deficiency and optional form calculations. Mr. Stump presented exhibits showing the differences in the old and new assumptions. He also discussed and recommended allowing participants who commence benefits for the first 12 months after the effective date of this change to receive the greater benefit of the old and new factors. Mr. Berkson communicated that the effective date of the changes for Benefit Calculations would be October 1, 2021. The Board asked Mr. Stump about how often they should change the assumptions utilized by the Plan for Benefit Calculations, specifically with the recent

annual interest rate changes. Mr. Stump stated that it would be best that assumption changes for benefit calculations be reviewed with the Experience Study completed every 5 years.

Upon a motion by Mr. Coyner, seconded by Mr. Mynarski, the Board voted 5-0-0, that effective October 1, 2021 benefit calculations will utilize a 6.25 % interest rate and Public Retirement Plans 2010 General Mortality Tables (Pub2010G). In addition, for participants who commence benefit payments during the period of October 1, 2021 through September 1, 2022, calculations will be completed utilizing the new and prior interest rate and mortality tables, where the participant will receive the higher amount. Motion carried.

OLD BUSINESS

N/A

PLAN ADMINISTRATOR REPORT

Mr. Berkson previously provided a written report and highlighted the following topics:

- Assumption changes for benefit calculations - Next steps are the Plan Amendment and calculation automation. It has also been decided to not include the CARES and SECURE Acts in this Amendment, they will be handled separately at a later date.
- Active DB Payroll issue – Resolution is still outstanding, but progress has been made.
- Retiree payment updates due to union contract settlements (UPSEU, GMEA and LiUNA), and true-ups after October 2020 due to system issues to be completed in May/June.
- Milliman recently discovered an issue with their Employee Contribution interest calculations. Some retirees need to be updated, including money owed to the participant or Plan, which will be completed in coordination with the retiree payment updates previously discussed, in May/June. Letters to retirees to explain their situation to be sent out in April.
- Prior to the meeting, Mr. Berkson forwarded to the Board through the secure site, information and suggestions on how to proceed with the Beneficiary Claim for Ms. Warren’s Active Pre-Retirement Death Benefit including retro payments. He asked that if anyone had any questions or comments to discuss after his summary.
- Participant Survey – For Pension Plan only and will include the same questions from the first survey in order to compare results. The survey will also ask about utilization of the website and call center, as well as for additional demographic data.
- The Plan has six terminated participants who were eligible to retire in 2020 who did not complete their retirement paperwork. The Retirement Office reached out to all six utilizing contact information on record but received no response. Mr. Berkson will forward the names to the employee members of the Board to see if they have any contact information. If information is not available, the Plan will utilize Milliman to complete a search that will cost approximately \$35/participant.

Mr. Wacek stated that upon his review of Ms. Warren’s information it makes sense to accept the claim and retroactive payments in this particular case. There was no further comments or

objections to the claim. Mr. Wacek added his slight concern of setting a precedent regarding beneficiary designation and the Board getting involved in beneficiary claims. Mr. Berkson commented that this was an atypical case. The Town now has a process where Empower is sending out e-mail reminders to 401(k), 457 and pension plan participants to review their beneficiary information, and participants now have a place to name primary and contingent beneficiaries.

APPROVAL OF RETIREMENTS

The Board reviewed the April 2021 retirement of the individual listed below:

Anthony E. Sapia

Upon a motion by Mr. Coyner, seconded by Mr. Mynarski, the Board voted 5-0-0 to approve retirement of the one individual listed above. Motion carried.

APPROVAL OF PAYMENTS

**Routine Disbursement/Refunds
February 2021**

Town of Greenwich, Connecticut			
Retirement February, 2021			
Payments to be Approved			
Reserve Fund			
V	Pensioners	February Payroll	\$2,916,742.18
	Refunds	Aimee Rathburn - Lump sum Bene of Richard LaMorte (SLA - Cash Refund)	<u>\$27,766.00</u>
		Pension Payroll Fund Total	\$2,944,508.18
Expense Fund	Empower/Milliman	4Q '20 Plan Admin Service	\$45,936.55
SV	Boomershine	Funding Strategies and POB analysis, NW analysis, QDRO PVAB and Optional Form Factors	\$9,025.00
	Alphagraphics	Board Election Mailing	\$504.67

	Iron Mountain	Storage & Retrieval (February 2021)	\$132.94
	CDW	Office Supplies	<u>\$41.78</u>
		Expense Fund Total	\$55,640.94
Payroll			
PV	Staff	January Payroll	<u>\$13,300.00</u>
		Staff Payroll Fund Total	\$13,300.00
		Grand Total	<u>\$ 3,013,449.12</u>

Upon a motion by Mr. Mynarski seconded by Mr. Pellegrino, the Board voted 5-0-0 to approve the February disbursements. Motion carried.

Military Buy Back
None

EXECUTIVE SESSION – Disability Retirement

Chairman Pellegrino commented at the beginning of the meeting that there would be no need for an Executive Session. This is due to the current process of utilizing a secure site where Board Members have already had the opportunity to review the information and ask questions. At this time the Board agreed that it did not have to go into Executive Session.

Upon a motion by Mr. Mynarski, seconded by Mr. Wacek, the Board voted 5-0-0 to approve the Ordinary Disability Retirement for Ms. Dailey as of April 1, 2021. Motion carried.

ADJOURNMENT

Upon a motion by Mr. Mynarski, seconded by Mr. Coyner, the Board voted 5-0-0 to adjourn the meeting at 10:33 A.M. Motion carried.

Respectfully submitted,

Catherine Sidor, Recording Secretary

Joseph Pellegrino, Chairman

Next Meetings

Regular Meeting, Thursday, April 29, 2021
Regular Meeting, Thursday, May 27, 2021
Regular Meeting Thursday, June 24, 2021